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YUGOSLAVIA: BASIC PREMISES OF THE
LONG-RANGE ECONOMIC STABILIZATION PROGRAM

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[Statement of basic premises adopted on 19 April 1982 by the Commission for Problems of Economic Stabilization to govern its work of drafting the long-range economic stabilization program]

[Text] The Commission for Problems of Economic Stabilization, which was created by the federal social councils, has endeavored in its work to date to render appropriate assistance to the competent authorities in resolving the most urgent issues in the domain of current economic policy (balance of payments and exchange balance, rate of exchange of the dinar, external liquidity, foreign indebtedness, and the federal budget) and the domain of medium-term development policy (related to dovetailing medium-term plans, the energy balance, the agroindustrial complex), as well as in seeking out common solutions to the outstanding issues in the domain of the money system, the monetary and credit system, and the foreign exchange system.

The Commission's principal task is to draft an integral and long-range program of economic stabilization, on which it has already been working for several months in a separate working group and in its subgroups for the particular parts of that program.

In order to furnish a uniform conceptual foundation of the future program and to move beyond differing approaches in the interpretation and implementation of the SFRY Constitution and Law on Associated Labor, in a session held 19 April 1982 the Commission adopted the "Basic Premises of the Long-Range Economic Stabilization Program" as a kind of platform for its subsequent work.

In order to ensure the broadest unified commitment to carrying out economic stabilization, it was agreed that the basic premises of the long-range economic stabilization program would be published and sent to all institutions participating in the work of the federal social councils.

The long-range program of economic stabilization, which is being worked on intensively, involving the participation of a large number of scientists, specialists and other public figures from all over the country, will specifically cover the following subjects:

- a. The indispensable need to adapt the conditions for conduct of economic activity from the standpoint of strengthening the material base of organizations of associated labor and of the workers taking command of funds for social reproduction;
- b. Development policy as a factor of economic stabilization;
- c. Technological strategy;
- d. Energy strategy;
- e. The strategy and development policy in the transportation sector;
- f. Agriculture and the agroindustrial complex;
- g. The housing industry and municipal services and utilities;
- h. Small business;
- i. Social services;
- j. Regional aspect of development;
- k. Employment and creation of new jobs;
- l. Adaptation of the economic system to the requirements of stabilization;
- m. Anti-inflation program;
- n. The strategy of foreign economic relations and the convertibility of the dinar;
- o. Long-range social welfare policy;
- p. Social prerequisites of the long-range stabilization program;
- q. Economic stabilization measures in the domain of the legal system.

Since certain parts of the program are in the phase of final revision (Anti-Inflation Program, Foreign Economic Relations, Energy Strategy, Agriculture and the Agroindustrial Complex, Employment and Creation of New Jobs, The Housing Industry and Municipal Services and Utilities, Social Services, Social Prerequisites of the Long-Range Stabilization Program, etc.), they are just about to be examined by the Commission, after which they will be presented in succession to the Yugoslav public.

The final document which can serve simultaneously as foundation for the competent agencies of the Federation as well as of the socialist republics and autonomous provinces in formulating conceptions of economic policy and the necessary changes in the mechanisms of the economic system, and also for drafting medium-term social plans in conformity with the bases of our system of

self-management planning, will be a synthesis of the tasks of the long-range economic stabilization program and measures to implement it, together with establishment of priorities in its achievement as to time.

Introductory Remarks

The Commission for Problems of Economic Stabilization deemed it necessary to examine and adopt Basic Premises before undertaking the specific consideration of the program of economic stabilization itself and of its individual parts. The Basic Premises contain the most necessary basic commitments concerning further development of socioeconomic relations and sociopolitical relations as well as the foundations and directions of future material and social development.

The reasons which decided the Commission to adopt Basic Premises in advance were the following:

- i. a critical examination of our experience indicates that some of the basic commitments of our socioeconomic system are not being carried out or are being carried out in a manner that does not conform to the constitutional commitment;
- ii. the differing treatment of the role and importance of certain basic definitions and certain basic institutions in the system of socialist self-management (who is the basic subject in our system and what is his status, what is the attitude toward economic laws, toward the market and planning, and toward conclusion of self-management accords and social compacts, what is the responsibility of the republics and autonomous provinces for their own development and for the development of the entire Yugoslav community, etc.?) which has had major consequences for the country's social and material development;
- iii. ideological differences which may arise on this basis and which could impede adoption of the long-range stabilization program and diminish effectiveness of its implementation. Unity of views on certain essential questions which are to determine the character and content of the stabilization program as well as the methods and means of its accomplishment is absolutely essential to consistent implementation of such a major social undertaking. This will make it possible to resolve and overcome more easily the differences that will occur in the consideration of specific matters.

The need to draft an integral economic stabilization program arose out of the assessment that the present condition and accumulated problems in the economy and the associated social contradictions are of such nature that without quite profound changes in social relations as they stand at present, in the structure of the economy, and in the method and quality of economic performance and everything that follows therefrom in the economic and social fields we cannot achieve lasting results of stabilization nor guarantee that socialist self-management will develop faster in the future.

The Commission came to the conclusion that before proposing the specific economic stabilization program it was indispensable to elucidate in more detail

several of the fundamental features of our system and its essential institutions. This is indispensable not for the sake of a mere repetition of the constitutional commitments, but because of the urgent need to approach the drafting and elaboration of the stabilization program from a point of origin in the form of a uniform set of basic premises governing the work of the Commission and at the same time providing conceptual unity of all participants in the work of the groups and subgroups working on the various segments of the program and the various aspects of the system and of economic and development policy.

Two points need to be made in this connection. First, the changes that are to ensue on the basis of the stabilization program will have far-reaching consequences. They have to be undertaken in the context of very unfavorable international conditions, when difficulties and contradictions have accumulated within society, and at a time when the country's external liquidity is threatened. This makes it a necessity that the basic premises of the long-range stabilization program be stated clearly, that they follow from the foundations of our system and the long-range commitments of our society, as well as from a realistic determination of material capabilities.

Second, the present situation and the trends under way that can be used as the basis for an assessment of the situation in the immediate future point up the need for clarity in basic commitments and at the same time for realism in examining capabilities, the sequence of the measures, and the stages in which they are to be carried out, in assessment of the consequences, and in the procedure for moderating or correcting those consequences.

The point of departure in drafting the Basic Premises ... was the conviction that our society possesses a long-range strategy for development of the social relations of socialist self-management, a strategy contained in the LCY Program, the SFRY Constitution, the Law on Associated Labor and the resolutions of the 10th and 12th LCY Congresses. In that respect we have definite advantages over societies which are still searching for their way and yet have to plot the strategy of their social development. From that standpoint the document hereby offered does not contain major new commitments which are not contained in the documents mentioned. This makes our task much easier, but in view of the exacerbated contradictions that exist in our socioeconomic development, the changes which have to be made also make that task a complicated and difficult one.

The essence of all the changes, both material and social, that would follow from a long-range stabilization program is that they must be aimed at creating conditions for the worker--both as an individual and as an associated worker, to take that place in society to which he is entitled under the constitution, to take command of the conditions and results of his labor, the entirety of income and all relations in social reproduction and in society so as to develop on those foundations as a free creative person.

In the relations that exist in the system for formation of accumulation, extensive alienation of the accumulation from the workers has been accomplished, and on that basis a mechanism has developed for centralizing those resources,

for their inflationary augmentation and distribution, whereby the principal economic subject in our system is being displaced and is being prevented from becoming a responsible self-managing commodity producer.

No one could of course have expected that the worker would quickly and easily take command of social reproduction, of income and of the surplus labor in the short period since enactment of the constitution and become the principal decisionmaker in society, nor will that follow immediately upon enactment of the stabilization program. Even on the assumption that the causes of the adverse situation have been ascertained and even when the necessary responses are made on that basis in the form of the economic stabilization program, the gradual accomplishment of that goal should be anticipated, along with a fierce social battle and resistance and inertia on the part of the old.

The changes must embrace the social relations that now exist and the currents of social development up to this point. It is indispensable to subject to critical analysis the present goals and plans of development and the methods and means of accomplishing them. Time is needed for such undertakings and changes, but this cannot justify inactivity, inconsistencies and the status quo, since such a case usually involves a balance of power in society, since in this case it is usually a question of a balance of power in society and a situation in the organized social forces and in politics which will make it possible to successfully carry out real and timely changes.

Which is why the struggle for economic stabilization is actually a struggle to strengthen the real social power and responsibility of the worker in associated labor. The economic stabilization program should above all be a program of actions and measures to implement the socioeconomic system of self-management.

In the course of the major changes which development of socialist self-management involves one must anticipate the ideological differences that necessarily arise whenever major changes take place in the economy and when it is necessary to carry out a social transformation which has class features. The offering of differing interpretations of the essential categories of our system and the social order has in fact been typical of recent years. Differing patterns of practical behavior are also based on this.

How otherwise to interpret the fact that our principal subject of economic activity is in practice often losing the characteristics of a commodity producer and is not behaving like one, that the economic responsibility for work and conduct of business have been displaced and transferred to society as a whole, thereby reducing in an essential way the motivation of the principal economic subject when business decisions are being made, as well as the fact that the economic position of associated labor is today worse than it was before enactment of the Law on Associated Labor.

This issue leads one on to others. Why, for example, does our economy not pay sufficient respect to the market (domestic and foreign); why are its economic limits often neglected in the name of solidarity, and what are the essential consequences for the attitude toward work; why is the importance of social

resources and of past labor as a whole underestimated; why is there that attitude toward the use of accumulation, and so on?

If we examine this same problem from the standpoint of the mechanisms of the economic system, we will note the same phenomenon. For example, self-management accords and social compacts are being used to regulate relations even outside their domain or are on the other hand being interpreted as instruments in which one can incorporate even subject matter which has not been verified and justified in economic terms. As a consequence their legal and social validity is discredited, and due consideration is not given to the fact that they are one of the basic institutions of our system.

We enact plans which do not have an adequate economic substantiation, but on the other hand abound in goals which cannot be achieved in the given period of time either because they are unrealistic or because, when all the goals are taken together, they amount to too large a bite to take in the particular period.

This kind of attitude is evident even in the measures of economic policy, which is not sufficiently mindful of the economic importance and operation of certain of these categories of the system, and measures are used which do not rely on economic coercion, but on normative and government administrative coercion. Which is why so much legislation is being enacted, along with the many accords and compacts, which often are vague with respect to obligations, and neither the legislation nor the agreements alter the status quo or practical behavior, since the orientation is not toward the interest, the motivation and the logic of the self-managing subject as a commodity producer and his economic accountability for his work and the results of the conduct of his business. In a word, the real conditions and economic laws operating within them and conscious and planned guidance of economic and social development and correction of undesirable effects of the market are not being taken sufficiently into account, but rather they are suppressed and replaced by administratively and arbitrarily established "legality," which does not recognize the contradictions which socialist commodity production contains within itself.

Basic organizations of associated labor have adapted to business conditions of this kind, living and developing as extensive producers, with modest demands of a qualitative nature and with the high degree of certainty that the poor quality of their economic performance will be socialized--whether it is a case of losses or of income which is redistributed through the numerous burdens on the economy.

A great deal of attention has been paid to the situation and relations in the world economy and in international economic relations, as well as to their impact on the Yugoslav economy. Our principal purpose here was to indicate the exceptional difficulties arising from that quarter, to point out that they are not conjunctural or transitory in nature, and that they must be taken into account over the long term.

It has been especially emphasized that the lag in economic exchange with foreign countries has had a strong impact on the character of economic activity

within the country, which has been expressed in the autarkic orientation of the economy, with the consequences that has for social relations.

The impression must not be gained on this basis, however, that the situation in the world economy and on the world market is the first and predominant factor which has brought this kind of situation about in our own economy. The basic causes lie above all in the shortcomings of our development policy and economic policy and in the stagnation that has occurred in development and self-management relations.

However, though the external factor is not its principal cause, the way out of the present situation should be sought first of all in a radical change of attitude toward exports, in an ever greater presence on the international market, and in submitting to the criteria which that kind of orientation demands.

But even if we agree that such a change of direction has to be accomplished in foreign economic relations, the principal changes have to be made in domestic development. It follows from this that the very difficult conditions and high requirements of the foreign market can be met only through essential changes throughout the entirety of social labor and business activity and at every individual work station by applying general criteria in the use of social capital, through higher productivity of live labor and more vigorous and complete use of knowledge and modern organization, as well as through development of our own engineering and technology wherever this is expedient and possible.

The problems of our economy's structure are treated more broadly and not merely from the standpoint that has been customary in the past: on the basis of emphasizing the priority of producing energy, food and raw materials. Consideration was given to the sum total of the economy and the social services, to broad complexes in reproduction, to their position and relations on the domestic and foreign markets, to the structure of the economy from the standpoint of the size of organizations, and so on. This was not in the least aimed at diminishing the importance of the problems of energy, raw materials or food, for example, but at emphasizing as well certain factors which are well known, but are still underestimated, though they are important to the economy's orientation in development, especially from the standpoint of its becoming capable of expansion of exports.

Development of the economically underdeveloped republics and the Autonomous Province of Kosovo has not been extensively treated in this phase of the work. This is one of the most difficult long-range problems, a problem with its economic and political implications, since it reflects one of the most profound contradictions of our society, and in the subsequent work it will have to be given the place to which it is entitled. What has been stated on this occasion is in a multinational socialist self-managing community economic development will be a lasting preoccupation of society from the standpoint of the successful development of both the whole and the parts, from the standpoint of the equality of the nationalities and ethnic minorities, of the republics and autonomous provinces. The methods for resolving these problems will bear the imprint of the level of development attained, the character of self-management social relations, the status of the republics and autonomous provinces, and

the character of the problems to be resolved. But there is no doubt whatsoever that they will be a lasting concern and preoccupation of the entire community on the basis of an affirmation of the socialist socioeconomic relations of self-management.

Our society and economy, as it attains the present level of development, which in many respects is a crucial one, finds itself in the position and with the contradictions of a moderately developed country. However, it also has the characteristics of a developing country because of major differences in its regional development.

The point of departure of the Basic Premises of the Long-Range Economic Stabilization Program is the place and role accorded the republics by the constitution as states and as socialist self-managing democratic communities and to the autonomous provinces as autonomous socialist self-managing democratic sociopolitical communities of sovereign nationalities and ethnic minorities who have come together voluntarily to form the Yugoslav federal governmental community in which they realize their common interests and goals, bearing responsibility for their own development and for the joint development of Yugoslavia. Their role, constitutional status, and their need to function as governments, as the broadest self-managing communities, must always be borne in mind.

1. What Is Meant by the Term "Economic Stabilization"

The economic stabilization program should take as its point of departure the long-range strategy of social development as defined by socialist self-management as the lasting basis of the social system and life, which is to become the dominant and integral relation in society. In this connection there is a need to conduct a comprehensive analysis and assessment of the situation, of its causes and the balance of power in society, and to ascertain the content of the stabilization program with respect to class and social ownership, those social entities which are to carry it out, and their basic interests.

Given the present balance of power, judging by the material status of associated labor and level of influence achieved in society, it is only with the direct and resolute involvement of the LCY and the other organized socialist subjective forces that any serious changes in the economy and society can be expected. It can be confidently said that the status quo and a deepening of instability are suitable to certain strata and forces in society (with statist, technocratic and other antiself-management orientations), which only points up the seriousness of the changes and the resistance which should inevitably be counted on.

The long-range economic stabilization program should cover two groups of problems in its commitment and content.

The first group of problems has to do with the development of socioeconomic relations, with consistent performance of the commitment contained in the SFRY Constitution, the Law on Associated Labor and the documents of the 10th and 11th LCY Congresses and the Third Congress of Self-Managers of Yugoslavia.

This is emphasized especially because in recent years very serious problems, difficulties and shortcomings requiring appropriate social action have been evident both in economic development and in the development of socioeconomic relations.

The other group of problems pertains to aspects of material development. In this context it is necessary to cover the questions of its general orientation, its dynamics, its quality and its structure, including the necessary alignment of commodity-money relations and other relations in social reproduction.

The long-range stabilization program, then, is an extremely complicated and difficult social undertaking, one which the working class can accomplish assuming it takes command of the entirety of social reproduction with the full commitment of the LCY and all the organized socialist subjective forces. Honoring this assumption, the stabilization program has to be thoroughly elaborated and the goals, ways and methods of carrying it out chosen so as to stimulate the interests of the worker and of his organization of associated labor, which means a program whose point of support will be the principal economic subject in a self-managing socialist society, rather than above all the force of the state and its methods of operation.

It is a question, then, not only of short-term material difficulties, but of long-range phenomena and relations which call for an appropriate long-range program to overcome them. The program must therefore critically examine the entirety of socioeconomic relations in practice, the results of development to date and of the existing deepened socioeconomic contradictoriness, and it must also respect the international aspect and conditions which arise out of the deep and long-term social and economic crisis in the world, which is having its impact on both our economy and our society.

The term "economic stabilization" should not be understood to mean changes which are supposed to restore the disturbed flows of the economy to the previous "stable" condition; it is not merely a question of correcting errors which have caused disturbances or of reestablishment of the previous relations in social reproduction, in the position of the working class and in relations within it, in the distribution of economic and social power and, still more directly, in the previous relations in the creation and distribution of the social product.

It is a question of an economic and social situation whose causes should be elucidated in their entirety and in their interdependence (it is not merely a question of economic causes); responses appropriate to that situation have to be prepared and applied through the mechanisms of the system and through economic and social welfare policy. Both are to be achieved on the basis of a critical analysis both of the situation and basic processes under way in society and in the economy and also of the forces which have a decisive impact on those processes. Our country has to take decisive steps in order to win its place in the international division of labor, altering its standards of work and economic performance and also the goals and criteria of its development.

For all these reasons it is indispensable to continue the profound transformation of society on the foundations of the constitution and the Law on Associated Labor. Without that, or outside of that, it is an illusion to construct any sort of long-range stabilization program. A stabilization program cannot be restricted solely to the economic sector and to economic decisions and measures, but must contain the necessary social and sociopolitical decisions and measures and--on that basis--an entire program of activity of all factors in society.

2. Basic Characteristics of the Present Situation

An overall assessment of the situation and of tendencies in the practice of self-management, in economic development and in society as a whole suggests several observations.

A high degree of imbalance prevails in the economy and economic flows; it is expressed in the high rate of inflation and disrupted commodity-money relations, in structural disturbances and autarkic orientation in development from basic organizations of associated labor to the attitude of sociopolitical communities and of the entire economy toward the economies of other countries and the world market, and in the standstill in development of the relations of socialist self-management.

The policy of economic and social development at all levels and joint development policy have been urging on the material growth of the economy and the development of the social services beyond real capabilities. Also, the economic mechanism which is in place, along with the inconsistencies in implementing certain of its features, has allowed effective demand to be created considerably beyond the social product and income which have really been created (note issue and formation of the supply of money and credit, the several years of financing the federal budget deficit by issuing money, the inappropriate mechanism of primary and secondary distribution, which is manifested in the price disparity, in the siphoning of depreciation into income and in payments for social services and government which are not in proportion to the economy's real income). A permanent, uncontrolled and fiscal redistribution of the national income within the economy and between production on the one hand and government and social service expenditure on the other has been taking place as a consequence. That is why demand inflation is built into our economic life.

The contradiction between the economy's low accumulative capacity on the one hand and the orientation toward large investments on the other has been resolved by creating artificial demand by augmenting the money supply, through investments without coverage and through excessive foreign indebtedness. Decisions on investments have mostly been made outside the range of oversight of workers in organizations of associated labor.

This attitude toward social reproduction and the opportunities for certain types of expenditure to increase independently of income earned have brought about the dynamic quantitative growth of the economy accompanied by increasingly marked inflation and declining interest in qualitative growth (labor

productivity has an ever smaller share in economic growth, and economic efficiency has been dropping steadily, though technical adequacy has been rising all the time). The accumulation of these shortcomings year after year has been speeding up inflation and diminishing the competitiveness of the economy on the world market. The increasingly unfavorable relations between the growth of domestic and the growth of foreign costs have brought about the lasting presence of cost inflation.

The alienation of the workers from the conditions for realizing income and for the disposition of income, administrative regulation of economic relations, suppression of economic laws, the lag in development of the function of self-management planning, and the orientation toward solving domestic problems first have encouraged autarkic development and an unsuitable economic structure. Conditions of this kind, in the recent past especially, have objectively been leading toward enclosure of the economy within narrow regional boundaries (the republics, the provinces and opstinas) with no real interest, opportunity or economic necessity for establishing ties and associations outside those countries, for division of labor and internal technological development, and toward a gradual weakening of the role of the unified Yugoslav market, toward its becoming more and more closed to the influences of the more productive foreign economies and the corresponding operation of the world market.

This does not explain why we did not respond in time to changes in price relations and consumption of energy raw materials and exacerbation of conditions on the world market, nor why in spite of the emphasis put on the importance of agriculture we did not take appropriate measures to develop it, nor why transportation has been lagging more and more, nor why domestic sources of raw materials have not been explored even when conditions exist for their commercial exploitation, nor why the development of tourism has been stagnant, as has that of the services, small business, the housing industry and municipal services and utilities, and so on. Finally, one of the largest structural disproportions in the economy, the 15-year decline of our share in world exports, showed clearly that the overall structural disturbances are deep and cannot be corrected with current measures or in the short term. The unsuitable structure of the economy, then, is an additional source of inflation, the one which also has the most lasting effect because of its character.

World inflation, that is, imported inflation--in spite of the higher prices of petroleum and the steady rise of the prices of imported engineering and technology as well as the high rate of interest and other costs of capital--has for its part helped to make domestic inflation still higher.

The adverse consequences of this kind of development are especially evident in the pronounced instability of the economy, in its low accumulative and reproductive capacity, in its excessive dependence on credit and high indebtedness, in its very limited ability to export (especially to the convertible market), in the high rate of inflation which, having reached a disturbing level, has begun to display the well-known characteristics that emerge in the advanced phase of inflation: a slowing down of growth and development, losses, ever more pronounced disturbances on the market, an increasingly frequent occurrence

of shortages of goods, and ever greater administrative regulation of economic and market flows and, finally, exacerbation of the problems of unemployment.

The growth of unemployment, especially of the young generation, deserves a specific reference. Though demographic growth is moderating (the average growth rate of the population is at the European level, though with significant differences from one republic or autonomous province to another), in spite of huge investments over the past decade, the number of unemployed is rising. An answer can be obtained to this question only on the basis of an analysis of development policy and economic policy with respect to the various sectors of the economy (especially agriculture), of the character of investment projects and of their regional location. The system of education and the schools has for its part also complicated the problems of creating new jobs by recruiting personnel for occupations in which the economy is not showing an interest and at the same time leaving unsatisfied a demand for over 80,000 workers with certain qualifications. The stagnation in the West European economy and the return of our workers to the country, along with the inadequate preparedness for creating conditions for individuals to solve this problem themselves through self-employment, are only an additional factor making the problems in this field more difficult.

So, there is no complete answer to one of the most complicated economic phenomena and social contradictions without touching upon all the basic aspects of our system of investment and development, the directions and effects of investment, and other factors which cannot at present be dealt with.

The conditions described, under which the economy and other social services have been developing, have not been favorable to the further successful development of self-management. In the same period when the constitution inaugurated the dominant position of associated labor and the worker with his inalienable rights, the position of the economy was becoming increasingly unstable, relations in the economy were exposed to the ever greater arbitration of the state and to the effect of development decisions and economic policy which bore administrative features. Patterns of behavior penetrated economic reality which do not correspond to the system of self-management and which have become the source of further disturbances in social reproduction: autarky, outsized plans and goals which cannot be achieved within the time envisaged, overestimation of quantitative results, and neglect of tendencies leading toward deep-seated disturbances of the economy. The indispensable actions in the economic and social fields have been postponed, and those which were undertaken have not been based on a very thorough analysis of the situation.

The leading social forces have not been sufficiently oriented toward resolving the key issues in the economy and in self-management, nor have conclusions been drawn in time to the effect that the constitutional concept of self-management necessitates serious changes in the economy and in all sectors of social life. Dynamic development of the economy and its constructive influence on overall social development, on the personal and social standard of living, have resulted in toleration of unfavorable phenomena and postponement of actions to change the current positions of various factors in society so that the worker in associated labor can take command of the conditions and results

of his labor, postponement of changes of work habits and other habits, toward respect for economic and other accountability for the results of labor and business operation, and toward greater commitment of the subjective forces in the development of self-management, the delegate system and organization through communities of interest.

Another weakness of the organized subjective forces is that they have not managed to rise above individual interests in good time, to take the long-term interests of the working class as their point of departure, to energetically mobilize forces to enforce the new socioeconomic system, to alter the country's economic policy, which, as a result of pressures from the republics and autonomous provinces and segments of associated labor, has contributed to a behavior which does not respect real material capabilities and economic laws and has thus objectively allowed voluntaristic behavior on the part of economic policymakers and those carrying on economic activity.

3. Certain Basic Causes of Economic Instability and the Prerequisites for Economic Stabilization

The causes of economic instability can be sought in the sphere of socioeconomic relations, in material development and in the situation and relations in the world economy; in this one should distinguish the objective causes from those which are either entirely or partially subjective in nature, whether it is a case of the choice of goals, the policy for achieving society's commitments, or whether it is a case of the behavior of individual factors in society.

A. The Situation and Relations in the World Economy

The situation in international political and economic relations is very unfavorable. Deep social and economic ferment is occurring in the world as a result of profound social contradictions and an economic crisis.

a) To a large extent contemporary capitalism has exhausted its previous theoretical attainments and practical methods of resolving the exacerbated and accumulated contradictions in its development. The attempt to revive the classical and neoclassical theories and to return on that basis to the outdated methods of a liberal economy, like many of the searchings of bourgeois science in the world, have not taken shape in a general theory which could lay claim to defining the general course of a way out of the present crisis.

Which accounts for the pragmatism in policy, the obsession with short-term goals and the absence of perspective. The very strained international relations, the danger of war and the relatively broad application of social welfare measures with respect to unemployment in the leading capitalist countries are postponing major conflicts on the domestic scene and class skirmishes of broad proportions, at least for the present. At the same time internal reorganizations and ferment and dissatisfaction with the present situation are becoming more intensive in what until yesterday were the magnificent societies of prosperity (the antiwar and environmentalist movements, the steadily growing unemployment and dissatisfaction of the organized workers, the decline or very low growth of labor productivity and the standard of living, and so on).

In most countries the way out is not being sought in any reform undertakings which after the pattern of the fifties and sixties would create conditions for still another period of boom, Social Democratic reforms and concessions to the working class, including the programming of certain forms of worker participation. On the contrary, the remedy for inflation and the lost pace of development is being sought in a narrowing of the interests and material strength of the working class and other working strata with low income, as well as in passing the burden of the economic crisis on to the developing countries.

In the leading capitalist countries economic policy measures are the basis of an ongoing redistribution of the national income to the detriment of the working class and of putting the burden of programs against inflation on its back. That is why in the leading capitalist countries the predominant currents in economic policy are conservative. (The exception is France, which under very unfavorable international conditions is attempting to carry out quite profound social changes in the economy and society.)

Alluding to the energy crisis and the economic crisis, the leading capitalist countries have been less and less willing to meet the growing needs of the developing countries and to offer assistance in their development, are retreating [original reads: "treating"] even from concessions previously agreed on, they are proceeding cautiously and postponing confrontation with the urgent material problems of the developing countries and with the urgent need to seek foundations for a new economic order. Ignoring the fact that the basic institutions of the economic order are in crisis, they reconcile themselves to an attitude of each to his own, to the growth of protectionism and to the little "economic wars" between individual countries. Even the European Economic Community is falling into ever greater difficulties, joint solutions are hard to find, and contradictions and conflicts within the community are growing.

The pace of world trade has slowed down considerably and is becoming a limit upon further economic development. Since the oil crisis broke out, a process has been taking place whereby the burden of the crisis has constantly been passed on to the developing countries because the prices of equipment, technology, food, weapons, etc., have been growing considerably faster than the prices of the traditional exports of those countries. That accounts for the intolerable indebtedness of the developing countries, the declining growth rates and exacerbation of domestic contradictions.

These circumstances, along with the constant pressures and attempts at neocolonialist penetration and at reestablishment of domination over these countries, are leading toward deep disturbances and latent conflicts (both within and between individual countries), to rivalry and increased strain between the blocs, and they represent a constant danger to peace and peaceful development, to the independence of countries, and thereby to progress as well.

Unwilling to change their own social relations and to accept the need to reform the international economic order, the leading capitalist countries see the way out of the crisis mainly in a strengthening of the positions of the transnational companies, in new discoveries in science and technology, in new branches of production (for example, electronics, production of robots, the

development of technologies for creation of new technologies, new sources of energy, information systems, new weapons, a new technological leap in agriculture, in transportation, etc.), and thereby also in redistribution of power on the world market.

The efforts of the most highly developed countries, especially of the multinational companies, should not be underestimated, but an organized effort should be made in the country to monitor those achievements and in particular to create conditions for science and the economy to adapt rapidly to the conditions which will occur after new scientific discoveries and technological penetration, which will certainly be forthcoming. The possibility cannot be excluded that a certain recovery of the leading capitalist countries and a redistribution of economic power and market among them might occur on this basis, although, according to present assessments in those countries and in their international integration, no major change of direction is to be expected in this decade.

It is difficult to foresee what will come in the meantime from the stagnant development, the arms race, inflation and instability on the international scene, but in working out a strategy for overall development and the development of foreign economic relations we should bear in mind the general conclusion concerning uncertainty and unfavorable conditions in the world economy. On that basis we should adopt an orientation toward a vigorous and offensive national economic policy aimed at greater participation in the international division of labor and on the world market, and in this connection consideration should be given to the regional distribution of external economic cooperation. Only in that way can sizable damage be avoided to production and the overall activity of all entities in the country which has been occurring because of the adverse tendencies in international economic relations and on the world market.

b) Most of the socialist countries in eastern Europe are also having difficulties of their own kind in their development, difficulties are rooted in the contradiction between the augmented productive forces and the situation that exists in development of production relations. The rates of economic growth which up until now have been high, are dropping, since the opportunities for extensive development have been exhausted.

Because of the lag in technology, labor productivity and food production and the ever higher expenditures for the arms race the difficulties of these economies are being manifested even more in the aggravated and competitive conditions on the world market. Structural changes are also indispensable in these economies.

CEMA is encountering difficulties in carrying out programs for joint development and its internal linkage, as well as in finding economic foundations for setting prices, establishing relations between currencies and instituting up-to-date forms of commodity trade. The division of labor, establishment of economic linkage on a lasting basis and utilization of technological progress have had to be limited under those conditions.

The development of economic cooperation with the socialist member countries of CEMA and the other socialist countries on basic principles which are well known has lasting importance to our own inclusion in the international division of labor as well. In view of that importance and its lasting interest to cooperation, our own labor productivity and the quality of our products have to be raised so that by virtue of its competitiveness our economy will have a proper place and the success of its efforts will be assured on those markets.

c) The disturbing situation and increasingly unfavorable conditions for the development of the developing countries are also an element tending to aggravate the situation of crisis in the world. For every beneficial change of direction in economic flows, these countries and these economies, both in their productive and human potential and also in their needs for dynamic development, represent a factor indispensable to overcoming the present structural, social and other disturbances and to the upward trend of world production. The development needs and other needs and potential of this part of the world, the predominant part of it, in the international strategy of development in the development strategy of each national economy, and in the policy for preserving peace and progressive alteration of existing relations.

The developing countries are heterogeneous both in the level of development attained and in their own capabilities, so that an exclusively global attitude toward them runs the risk of oversimplification unless a differentiated approach is taken with a view to the peculiarities of their socioeconomic and political posture. However, all the developing countries have priorities in common such as faster economic development, social and institutional changes, reliance on their own resources and establishment of mutual ties in order to strengthen their place and role in the world.

In the strategy of our development we should also bear in mind the large opportunities for development of those countries. We need to be involved in their development programs, through the most diverse forms of cooperation within the framework of carrying out our own long-range policy of nonalignment, independence and democratization of international political and economic relations. We are thereby strengthening as well our own overall political and economic position in the world. In future relations with those countries in current and especially long-term cooperation should be developed on foundations of equality, to which constant concern must be paid in practice, and concrete new methods of linkage need to be built on a more lasting basis.

Should we reduce our presence in the developing countries to the traditional relations and cooperation, under the conditions, moreover, of competition with world giants and their capabilities, we would be letting slip an occasion as well as an obligation to contribute more appropriately to the development of those countries and at the same time to a strengthening of our own economic power through the practice and development of new forms of cooperation and linkage. With all of that we could exert an effective impact toward altering the institutions of the present international economic order.

d) Proceeding from the fact that over the last 15 years, and especially since the beginning of the oil crisis, we have typically had a relatively smaller

presence on the international economic scene, since the share of our exports in world exports has dropped, and the share of exports in the national income has been cut almost in half, we can draw the following general conclusions:

i. Our economic growth and development and the overall level of physical productive forces are not in line with our share in world economic exchange. Important consequences had to follow therefrom for domestic development, for the structure of our economy, for establishment of the goals and methods of its development, for the criteria used in measuring productivity and efficiency, and for the strengthening of autarkic tendencies under the increasingly difficult conditions on the world market. We have not taken advantage of our natural and productive potential, the level of our technical adequacy and capability of our personnel, nor in particular the political advantages which we have as a nonaligned country to increase our presence on foreign markets. Autarkic tendencies in development and the relative reduction of our share in world trade have quantitatively diminished our presence in the world economy, and at the same time we have become much more dependent in the field of technology and in obtaining finance capital for development, and our dependence is also evident in the regional distribution of our foreign trade. The constructive influences of world productivity on our productivity have diminished and all the parameters of qualitative economic performance have deteriorated, above all because of autarkic tendencies.

ii. Improvement of our position in world trade and the world division of labor and the need for them to become considerably greater and broader are becoming an imperative and essential prerequisite for development on a sound economic foundation. However, this process will take place under very unfavorable economic and market conditions in the world, in a context of keener competition, so that a certain price, which will not be small, will have to be paid. To the extent that domestic reorganization on foundations of a more suitable development policy and overall economic policy and sounder business conditions is directed toward essential change in the quality of economic performance, that price will be lower, and the process of recovering and expanding our share in the international division of labor will be that much more successful and rapid.

Consistent orientation toward exports and greater openness toward the world economy, as a red thread running through the entire strategy of the long-range stabilization program, along with appropriate structural changes in the economy and a willingness to sacrifice, can turn things around not only in the balance of payments and the country's economic policy, but also in the sense of a different domestic orientation in economic activity, in which world standards of productivity and quality would be taken as the points of departure. It is indispensable that the burden of these sacrifices be distributed as uniformly as possible among all entities engaged in economic activity.

The overall situation in the world economy is such that we have to assume that the unfavorable international economic conditions will last for some time, we have to adapt to them constantly and overcome them by carrying out a long-range export strategy. Only in that way and with a regional distribution of economic cooperation that conforms to our country's position in international

political relations will our independence become stronger and our international position and political action in the world be enriched with ever more significant economic content.

Expansion of economic relations with the world will both broaden the ties of our economic entities in the world outside and also increase elements of association at home, but not through the intermediation of multinational companies and in dependence on them, but through creation of conditions for the broadest unhindered formation of ties and division of labor within the country. Conditions are created thereby for productive, scientific and technical linkage and cooperation with foreign companies in a context of our economy's greater equality. In that way we will gain increasing respect as a trading partner on the basis of our economic weight, the quality of our production and our greater competitiveness.

The situation and relations in the world economy and the problems that have arisen therefrom, or that we will have to anticipate in the future, have to be treated not only as a part of the causes of our present or future difficulties, but it must also be taken as a point of departure that our country's worsened position in international economic relations is a consequence of disturbances in our own economic development, above all of the outsized and one-sidedly programmed goals of development, inappropriate mechanisms for regulating economic and social development, and so on. We are referring, that is, to a cause-and-effect relationship of factors which have an essential impact on every country's economic and political life, and this must be borne in mind in order to avoid one-sidedness in evaluating the present situation and possible ways out of it. Continued neglect of this factor in the orientation and development of a country like Yugoslavia (which has a relatively small economy, which is outside the economic groupings and is conducting an independent and nonaligned policy) would constitute a major oversight in carrying out the proclaimed policy of the country's openness and readiness for the broadest cooperation. Faster closing of this gap between the policy of being open to the world, to which we are permanently committed, and the actual level of development on the one hand and the volume of international trade on the other will open up new possibilities for more effective overall activity of our socialist community in the world. This is certainly an essential, if not indeed the decisive factor in the more lasting stabilization of our economy and equally in the full and unhindered development of the socialist relations of self-management as well.

B. Socioeconomic and Sociopolitical Relations

The causes of economic disturbances and of the instability of the economy and of society should be sought and examined both in the existing socioeconomic relations and also in sociopolitical relations.

Yet it is necessary that we first make the following observations:

The results achieved in the course of the 30-year development of socialist self-management are manifestly successful, and there is no need to prove them. Socialist self-management has become the strategic commitment of the working

class and a lasting way of life and of work both in the economic sphere and also in the social and political spheres.

Socialist self-management is a response to the basic contradictions whereby in other systems the alienation of the worker from the means of production, from social and political affairs and decisions, is being perpetuated in various ways on the basis of domination of capital or the omnipotence of the state. That is why it is arousing great interest on the part of science and also in the field of practical public affairs, ideology and politics in the world, since it offers certain essential responses to the contradictions that are objectively present in contemporary societies, responses that do not overlook the diversity of material, social, historical and ethnic peculiarities of our country and other countries.

Within that context, insofar as it reflects the objective needs of the development of society and the historic aspirations of the working class and of the working people in general, socialist self-management, as a general tendency and general direction of social developments, has a universal importance, though taken as the Yugoslav model it cannot be valid for other societies. It can be confidently assumed that there are a large number of possible, greatly differing and independent roads to achievement of differing forms of self-management, with the historical tendency toward ever greater socialization of private and state capital, toward social ownership's becoming the material base of self-management, determining the worker's economic and social position and liberating him from labor on someone else's account and under someone else's command.

These and similar social processes will fill with content the era ahead of us, bringing all the contradictions and social and class conflicts which such a transformation implies. Therefore, the results of the practice and theoretical conceptualization of self-management in Yugoslavia have tremendous importance to our successful development and to the stability of our community, as one of the experiences in the development of socialism. This enhances the responsibility of the subjective forces and of science and practice in Yugoslavia for maximum success in the development of self-management, for a critical attitude toward social practice, for an ongoing analysis of that practice and for discovery of its shortcomings, lapses in development and their causes, and for opening up prospects in good time for further social and material development.

By contrast with other contemporary societies, which are seeking a way out of the present crisis while still preserving the systems that exist, carrying out within them minor or major reconstruction projects of a practical nature, we are building a society on new property relations and on the foundations of social ownership and self-management. In that sense we have an advantage over them, since our social efforts are on the line of progressive changes which the augmented productive forces in the world and the need to change social relations objectively demand.

In addition, the theoretical efforts and experiences from the past period of self-management's development, which have made it possible for the SFRY Constitution and Law on Associated Labor to establish the basic institutions of a

self-managing socialist society, offer the framework for ongoing and deliberate social changes during the lengthy period ahead of us.

However, the task of building our society's self-management is not thereby performed in and of itself, nor will it be accomplished spontaneously or through the automatic operation of the system. Real changes in the existing economic and social structure will necessitate many efforts. This will be a lengthy and painful process full of contradictions, which can be overcome only through a social battle which will be led by the broadest progressive forces in society, the LCY first of all.

The commodity character of production in the context of socialist self-management, the legacy of the past in economic and social relations and the inherited cautiousness which can be altered only gradually, the objective difficulties in development, and also the very accomplishment of changes requiring prior creative elaboration of the goals and the means of economic and social action corresponding to the given stage of social development--all of that makes construction of a socialist self-managing society an extremely complicated and responsible act. It also necessitates constant examination of social and economic processes in the basic cells of society and well-timed changes in social and economic development. It is indispensable in this connection that the LCY and all the other subjective forces be very much present in society and capable of assessing the situation in good time, even on the basis of the initial tendencies manifesting contradictions and economic and social development, and of finding answers for further progressive development. Only that kind of LCY is an authentic vanguard, one which will, as in the past, eliminate the hazards of deep social crises in good time.

That is the task which the organized socialist forces confront even now, when serious disturbances that have arisen in the flows of social reproduction need to be eliminated and a further step needs to be taken in development of the system of socialist self-management, thereby creating the appropriate social conditions for unhindered development of the productive forces and for more harmonious material and social development as a whole.

1. Characteristics of the Principal Subject and Other Subjects in Social Reproduction

The analysis of the relations of socialist self-management and the examination of the conditions and directions of their further development should rightly begin with an examination of the worker's position in the basic organization of associated labor and its nature and role as the basic form for the association of labor with socially owned assets; it is in that framework that the new socialist production relation is expressed most directly, that the contradiction is eliminated between labor and capital, and the dominance of live labor over past labor is established.

The principal subject in our system is the worker, but he does not enter into economic and other social relations as an isolated individual, but as an associated worker through his labor with others in economic and legally independent organizations of associated labor; in this context the basic organization

of associated labor is the basic form of associated labor, the one in which the workers exercise self-management jointly, equally and directly, above all managing their own labor and the conditions and results of their work.

The results of the joint labor of the workers are realized under the conditions of socialist commodity production by realizing the value of the products of their labor on the market, and they are expressed in the basic organization's income, which it realizes directly or in joint labor on joint products or services in diverse forms of pooling labor and capital. As a form of distribution of newly created value on the basis of the operation of the laws of the market and on the self-management foundation of the established social conditions for its realization, income represents the material base of the worker's right, by making decisions on the entire income in the basic organization of associated labor, in conformity with his constitutional rights and responsibilities to other workers in associated labor and to the social community as a whole, to decide on the conditions and results of his labor, to realize personal income and to enlarge and improve the material basis of his own labor and of social labor as a whole. On that basis income figures as the expression of the socialist production relation and as the principal motivation for work and for invigorating the factor of higher labor productivity, as well as the foundation and motivation for integrating social labor and for a more harmonious decision of that labor among the diverse types of production.

The commodity form of production on socialist foundations and market exchange of the products of labor--in that they reduce individual labor to the measure of the socially necessary labor by the logic of the law of values and on that basis encourage economy of live and past labor, integration of social labor and its higher productivity, and adjustment of production to effective demand on the market--are the most optimum and democratic form of production for the present stage of our material and social development, a form of production which makes it possible to measure objectively the social results of the labor and business operation of every economic subject on the basis of his independence in making decisions on his labor and business operation and on the basis of his responsibility for the economically and socially expedient use of the assets of society and for economy of current and past labor.

The spontaneity of the market can largely be suppressed in a self-managing socialist society through social planning on a self-management basis, through coordination of operating and development plans of self-managing organizations and communities in self-management accords and social compacts which they conclude, and through reconciliation of the plans of those organizations and communities with the social plans of sociopolitical communities. Springing from the interests and plans of the basic economic subjects and from self-management accords and agreements concerning the bases of social plans, the plans of sociopolitical communities, making use of scientific knowledge and respecting the entirety of relations and interests in society, as well as those premises which depend on the international economic conditions, define on a self-management foundation the established goals and the methods and means of regulating economic and social development.

Respect for the objective economic laws of socialist commodity production and also for the economic coercion which they embody, planning, as an instrument of deliberate regulation of social relations in economic flows, afford the possibility of responsible and optimum economic management of the assets of society, income and the surplus value of labor in the interest of the workers, in the interest of the organizations of associated labor and in the overall interest of society. Respect for economic laws forces all subjects into the most diverse forms of linkage and association in the cycle of reproduction and in other forms, including as well the integration of the economy and the social services. Respect for economic criteria and economic motivation and verification of the results achieved on the domestic and foreign markets objectively turn all economic and other subjects toward mutual cooperation and association. In that way they become stronger, invigorate the social organization of labor and the concentration and combination of production factors in integrated structures that have come about on that basis as a condition of higher labor productivity, larger income and greater security in realizing it.

Linkage of organizations of associated labor in the most diverse and broadest form is also an essential element to suppressing the spontaneity of the market. To be sure, this is a process which necessarily passes through various developmental forms and phases, which in turn depend basically on the development of the material base of work and the level of labor productivity attained, but once the breadth and intensity of integration has been achieved in one segment of social labor, others are compelled to behave likewise. A higher level of labor productivity in integrated production, by the logic of the law of value, becomes the standard of labor of other subjects and integrated structures as well, and it also stands as a condition of survival in production on the principle of income.

On that basis the basic organization of associated labor, though it is the basic form of associated labor, is not an economic subject that is closed off and sufficient unto itself. In the major part of social production on socialist foundations it is the building block whereby work organizations are legally constituted as self-management structures, i.e., forms of associated labor in which organizations of associated labor arise as independent self-managing organizations of workers bound together by their common interest in their labor and organized, whenever the appropriate prerequisites exist, in basic organizations of associated labor within the work organization.

In addition, work organizations themselves enter into association to form diverse forms of complex organizations of associated labor, and both basic organizations and work organizations enter into association to form various communities and other forms of association of organizations of associated labor in which they pursue particular common interests in production and business operation. Thus even today most of the workers in associated labor with the assets of society are bound together and associated in various forms of integration of associated labor in which the worker's inalienable right to decide on the entire income in the basic organization of associated labor and the worker's other inalienable rights which they exercise in basic organizations of associated labor constitute the basic barrier against the tendencies to take advantage of joint decisionmaking in the various integrational forms of social

labor to usurp the functions of management on the part of those to whom the conduct of joint affairs, that is, certain functions of decisionmaking concerning joint affairs and interests, must be entrusted in joint operation or in the pursuit of certain common interests.

This kind of socioeconomic position of the workers in basic organizations of associated labor has not, however, been achieved as yet in the various forms of integration of social labor, and usually joint responsibility has not been developed in them for the results of their joint labor and decisionmaking; a responsibility that would make the position of the associated workers and their basic organizations more dependent on the results achieved jointly. That is why it is necessary to devote more attention in future to relations in those forms of the integration of labor, and especially to relations in work organizations and complex organizations through which basic organizations are represented on the market and jointly earn their income.

Along with these social entities which come about in the relations of the pooling of labor and capital and in the pursuit of specific joint interests of organizations of associated labor, other social entities also perform certain functions in social reproduction.

Particular attention should be paid to self-managing communities of interest, in the framework of which and through which decisions are made on satisfying common needs through the work of workers in organizations of associated labor in the social services and in which the users of their services pool their funds for that purpose and, in making decisions on the pooled funds, they make it possible through free exchange of labor for the workers in those activities to attain the same socioeconomic status as workers have in organizations of associated labor realizing income through exchange of the products of their labor on the market. The relations in those communities, in which is pooled a substantial portion of the income of organizations of associated labor and of the personal incomes of workers and other working people who in them or through them satisfy their respective common needs, have usually not been established in conformity with the rights to self-management of the workers pooling their funds in them, nor with the rights to self-management of the workers in the social services. This important field of social reproduction is still alienated to a large degree from the workers and has become one of the serious reasons for disruption of relations throughout social reproduction and for imposition of administrative-bureaucratic forms of resolving basic problems. Stabilization of these relations is not, then, possible without fundamental changes toward consistent development in that sphere of the relations of self-management in conformity with the constitution and the Law on Associated Labor.

Sociopolitical communities and their bodies and agencies also have certain important functions in social reproduction in the system of the socioeconomic relations of socialist self-management. In those communities and through their bodies and organizations the functions of government and administration of other public affairs of common interest set forth in the constitution are performed, those interests are established on the foundation of self-management, and their bodies and agencies, through the legislation and measures they

adopt within the limits of their constitutional powers, create conditions in which the particular interests and independent activity of organizations of associated labor and other self-managing organizations and communities are brought into the fullest possible agreement on common interests and goals of development established on a basis of self-management.

In view of the multinational composition of our socialist community and its federal structure, particular importance is assumed by relations in the Federation and by the responsibility of the republics and autonomous provinces for their own development and for the development of the community as a whole, and that under the conditions in which the working people and the nationalities and ethnic minorities pursue their economic interests on the unified Yugoslav market.

In practice, however, performance of the functions of sociopolitical communities and of their bodies and agencies, and in particular the performance of the functions of government, has largely been out of line with their constitutional rights and duties and also out of line with the self-managing status and rights of workers in organizations of associated labor and the status and rights of workers and other working people in other self-managing organizations and communities as well. And under the constitution the status and rights of self-management are the foundation, the limit and the direction for the exercise of rights and discharge of duties by sociopolitical communities and their bodies and agencies in performance of the functions of government.

In the analysis of the entirety of the relations of socialist self-management and in examining the conditions and directions of their future development, then, the place and importance of the sociopolitical communities and their position in social reproduction need to be established appropriately. The decisive importance should be attributed in this to the functioning of the delegate system as the foundation of socialist self-managing democracy and of decisionmaking by the workers and other working people even on those public affairs which are decided in the assemblies of sociopolitical communities and the assemblies of self-managing communities of interest.

This also applies to the role of the organized forces of socialist consciousness, which are also responsible for the protection and further development of the achievements of the socialist revolution and for strengthening socialist social and democratic consciousness. Their presence throughout the system of self-management, and especially in the delegate system, is insufficient at this point. The contradictory nature of social relations and of their forms in the present phase of our socialist development does not allow their further development to be left to spontaneity. Unless those forces, especially the LCY, as the leading political-ideological force of the working class and all the working people in building socialism, play an active role, it is not possible to perform successfully the tasks which our socialist community faces today.

2. The Institutional Framework of the System of Socialist Self-Management

Over the past three decades, in every phase of Yugoslav society's development on the foundations of socialist self-management valuable experience has been gained which has at the same time stimulated and made possible further improvement of our self-management practice and development of the appropriate foundations of the system of socialist self-management in terms of general theory and political ideology. This has been especially manifested in documents such as the resolutions of the 10th and 11th LCY Congresses, the SFRY Constitution, and the Law on Associated Labor.

The SFRY Constitution and the Law on Associated Labor rounded out the relatively consistent institutional framework of the economic and political system of socialist self-management. We intentionally emphasize the point of the relative nature of the consistency achieved in the institutional framework of the system of socialist self-management, since our experience in development and the practice of self-management have taught us and caution us that without a persistent struggle for its application and without constant and continuous improvement and adaptation of the institutional framework to the needs of each specific phase of our socioeconomic development, it is not possible to build and develop the kind of economic and political system which will simultaneously reproduce on an expanded scale both satisfactory economic efficiency and satisfactory socioeconomic, i.e., self-managing, production relations.

a) Economic Laws and the Market

In view of the characteristics of the basic subject and the other subjects of social reproduction in our socioeconomic system, the institutional framework for development of a system of socialist self-management are necessarily based on operation of the laws of socialist commodity production and on an adequate system of self-management social planning, including free exchange of labor as the basis for development of the social services.

In the context of social ownership, self-management, relations based on the principle of income, and on the corresponding pooling of labor and capital, the market has somewhat different content, mechanisms and contours than the market in other economic system and other social relations. These differences pertain especially to the classic capital market and the classic market of manpower.

However, the free movement of social resources and accumulation on the unified Yugoslav market and the circulation and concentration of funds are both an economic and social imperative and the material basis for association of the workers and of their organizations of associated labor to create all, even the broadest, forms of associations.

One can also speak similarly about the need for the free movement of workers and knowledge, including all scientific and technical advances.

In short, a socialist self-managing system does not presuppose lower mobility of live labor and social capital than in other present-day market economies,

but it is of course based on a different production relation and displays different social features.

In this connection we should emphasize once again the relevant stands taken in the LCY Program, which point out that the market is not an obstacle to development of the system of socialist self-management, but a condition of its development.

Effective development of the system of socialist self-management is dependent upon a clear delineation as to what we also can and should expect from the operation of the constraints which the market has and can have in this and in the subsequent phases of our self-management development. Every attempt at voluntaristic displacement and negation of the objective role and place which the market has in this phase of our socioeconomic development not only would not contribute to achievement of the desired pace and quality of that development, but, to the contrary, would slow down the objectively possible movement along the long-term and painful road toward the liberation of labor.

However, when we speak of the laws of socialist commodity production and of economic laws in general, as basic premises for defining the institutional framework of the development of the system of socialist self-management, by no means are we restricting ourselves solely to the manifestation of those laws on the market and to market mechanisms, criteria and relations, but the context is considerably broader than that.

This broader conception and examination of the importance of economic laws in the present phase of the socialist society's development must penetrate all relations in the economic system of socialist self-management, and that means all relations in the system of social reproduction as well. They have to be at the foundation of all the strategic premises of long-range development policy and all the measures of current economic policy.

Respecting economic laws in conceiving the long-range strategic premises of development policy especially applies to that concept of inclusion in the international division of labor which presupposes an enduring orientation toward exports in the context of the most diverse forms of economic cooperation with foreign countries and also the objective need to define a corresponding strategy for the structural and technological development of our economy.

Economic laws and market criteria and relations must be manifested first on the unified Yugoslav market. Proceeding from the theoretical and constitutional principle that the foundations of the unity of the Yugoslav market include the unity of the currency and the system of prices and uniform features of the economic system, unhindered circulation of goods, services, labor, knowledge and social capital, it can be stated without any great dilemma that the unified Yugoslav market and its operation have been seriously disrupted.

In view of the provisions of the constitution, there is a need to reassess and, wherever necessary, to make the appropriate correction, completion and closer definition of those provisions of laws and sublegal acts which have contributed directly or indirectly to the cases of shattering of the unity of the Yugoslav market.

Many shortcomings in the effectiveness of the economic system, in the instability of economic developments and in the quality of social relations have occurred precisely because our principal subject of economic activity has not been placed in conditions in which his behavior is decisively affected by economic coercion, but rather, in the absence of that coercion, it is the government with the coercion of the state that has imposed itself. The measures of sociopolitical communities have often encouraged economic entities to conduct their economic activity in an extensive and inefficient way, instead of the reverse.

The predominance of government coercion over economic coercion places our economic subject in conditions for the conduct of his economic activity which direct his behavior according to criteria which differ essentially from those which are regarded as active and desirable from the standpoint of the constitution and the Law on Associated Labor.

To this we should add that by our own behavior and economic policy and the deformed consciousness of economic laws we have violated certain basic proportions in commodity-money relations. Use of the method of deficit financing of certain segments of final consumption, especially investment spending, and also economically unjustified foreign indebtedness have contributed greatly to deformation of relations on the unified Yugoslav market.

Another reason why these phenomena need particular emphasis is that they are one of the principal causes of many problems, difficulties and shortcomings which our economy and society face in this phase of development.

It is indispensable that changes in the conditions for the conduct of economic activity, in the sense of placing our principal economic subject, as a commodity producer, primarily under the pressure of economic rather than governmental coercion, be supported as well by appropriate solutions pertaining to the economic system and appropriate measures of economic policy.

In this connection we should emphasize that the worker in the basic organization of associated labor has not up to now been in a situation, nor is he even now, where he might have a direct influence on the decisions which guide development and align relations on the market, that is, in a position to have an influence on the social plan and economic and other measures adopted to implement it.

That is why the decisions and corresponding measures have usually not been based on the real needs and interests of the workers in organizations of associated labor nor on the alignment of those interests, nor have they taken into account their capabilities, so that they had to rely primarily on administrative rather than economic coercion.

The basic condition for the conduct of economic activity ought to be a function of associated labor, should meet its needs and capabilities, and that presupposes that it has a more direct influence on the adoption of the relevant decisions and measures.

Unless changes are made in this sense, it is not possible to put an end once and for all to the tendencies of autarkic development, which have been manifested with greater or lesser intensity in the past period of development at all levels from the basic organization of associated labor to the Federation.

An economic and social need and necessity is today in and of itself asserting itself for reaffirmation of the constitutional commitments related to the role and place which economic laws and the market and market relations should have in defining the initial institutional framework for development of our system of socialist self-management.

This position concerning reaffirmation of economic laws specifically presupposes that all ambitions and goals of development be brought within the limits of real material capabilities.

Reaffirmation of economic laws, by the force of economic logic and necessity, will also lead to essential changes in the behavior of all subjects and at all levels in the direction of the socially and economically expedient use of live and past labor.

b) The System of Self-Management Social Planning

The system of self-management social planning is a very important instrument in the hands of associated labor and the conscious subjective forces of our society, one with which, through conclusion of self-management accords among organizations of associated labor interdependent in the process of reproduction, through mutual reconciliation of their operating and development plans, through conclusion of agreements on joint interests and goals of economic and social development within sociopolitical communities, and through alignment of the plans of self-managing organizations and communities with social plans of sociopolitical communities, relations are coordinated on the market, the spontaneous operation of the law of value and other market laws is corrected and limited, and their operation is directed toward achievement of the goals of development which have been agreed to on a self-management basis.

In this way the system of self-management social planning has a guiding, coordinating and--with respect to the market--corrective role in the development of our economy and society. Emphasizing this guiding, coordinating and corrective role of the system of self-management social planning with respect to the spontaneous operation of market laws does not diminish the role which this system has in the operation and development of our system of socialist self-management.

The goal of our system of self-management socialist planning is that the workers in basic and other organizations and communities of associated labor and the working people in sociopolitical communities, through adoption, reconciliation and fulfillment of the plans of their own organizations and communities, create the most favorable conditions for development of society's productive forces, for constant improvement of the material and other conditions of life and work and for development of the relations of socialist self-management in society. Income, which as a whole is decided on by the workers in their basic

organizations of associated labor, figures as the basic category in planning and economic assessment of fulfillment of the plans of self-managing organizations and communities and the social plans of sociopolitical communities. By no means, of course, does this contradict the importance which should be given in the system of social planning to harmonious social division of labor, including the socially and economically expedient inclusion in the international division of labor in the sense of respecting the entirety of the process of reproduction in the logic of Marx' schemes of reproduction. In view of the unity of the Yugoslav market, this has particular importance to planning at the level of the entire country.

Relations in our system of self-management social planning are based on the premise that planning must not restrict the rights which the self-managing social subjects have in our economic and social system, but that plans should be a form of constant exercise of those rights and of their further progressive development. The essence of the system of self-management social planning, in other words, is that it directly expresses the relations of social ownership. It is above all a question of the inalienable right of the worker in his basic organization of associated labor, jointly and equally with other workers, to manage the operation and conduct of business of his basic organization and of the organization of associated labor of which it is a part; to decide on income earned and to monitor disposition of that income at all levels of its expenditure, and to manage the affairs of social reproduction within his own basic organization of associated labor and through his delegations, in all forms of the pooling of labor and capital as well as in sociopolitical communities. It is also a question of the inalienable right of the workers and of all the working people to decide on the conditions and results of their labor in the republic or autonomous province; to establish the joint policy of economic and social development of the republic or autonomous province, and, on the principles of concluding accords and compacts, to participate in adoption of the joint policy governing the economic and social development in the SFRY, thereby guaranteeing the national interest within a framework of full economic, social and cultural equality and freedom of all the nationalities and ethnic minorities.

The system of self-management planning does not presuppose a hierarchical relationship among the plans of the various planning entities. Along with the duty of organizations of associated labor and other self-managing organizations and communities to mutually reconcile their plans and to reconcile them with the social plans of sociopolitical communities, the constitution also emphasizes their right to adopt their plans independently, thereby safeguarding in the joint planning in work organizations and various forms of complex organizations of associated labor and in other self-managing organizations and communities the worker's inalienable right to make decisions within his basic organization even concerning those plans. The constitution likewise emphasizes that the social plans of sociopolitical communities may not impose specific obligations on the specific organizations of associated labor and other self-managing organizations and communities without their consent. That is why it is particularly important to appropriate administration of the system of self-management social planning that all planning entities, from the basic organization of associated labor and local community, through the various

forms of integration of social labor and opstinas, as self-managing and basic sociopolitical communities, to the republics, the autonomous provinces and the Federation, remain within the limits of their constitutional rights, obligations and responsibilities, thereby exercising their right and discharging their obligation to plan.

It should be particularly emphasized that the mutual reconciliation of the plans of self-managing organizations and communities and the social plans of sociopolitical communities does not signify by any means a mere adding up of the plans of organizations of associated labor and other self-managing organizations and communities in the social plans of sociopolitical communities, nor does it mean that they would be reconciled in advance in all the planning components. The social plans of sociopolitical communities cover what represents the common interest which is to be pursued in the respective sociopolitical community and pertains above all to the general conditions which will make it possible for organizations of associated labor and other self-managing organizations and communities, through their independent activity and guided by their particular interests, to realize the common interest as well. This presupposes adoption of certain obligations by individual organizations of associated labor and other self-managing organizations and communities in order to realize the common interests and goals set forth in the social plans of sociopolitical communities. The reality of planning makes this increasingly desirable, but this must be based on economic interest and on the consent of the respective organizations and communities and should not be the general rule for every goal or task set forth in social plans.

Relations of this kind in the system of self-management social planning ensure that the workers in basic organizations of associated labor decide on the entirety of income and on the joint interests and goals of development in the diverse forms for pooling labor and capital and for the self-management organization of particular interests, as well as on the joint interests and goals which will be pursued in sociopolitical communities--the opstina, the republic, the autonomous province and the Federation. As an entity which is realizing income and making decisions on it, the basic organization of associated labor will accordingly figure as the point of departure and end point of the entirety of the system of self-management social planning.

Relations of this kind likewise guarantee that in the opstina, as a self-managing and basic sociopolitical community, those joint interests and goals of development will be established on a self-management basis which the workers and other working people and their self-managed organizations and communities pursue in it, especially with respect to ensuring and developing the overall conditions of work and life, as well as with respect to consistent exercise of the opstina's other rights and discharge of its other duties in self-management, along with consistent exercise of the rights and discharge of the duties in self-management of self-managing organizations and communities within it, as the basis for restricting and suppressing statist tendencies, whether they emerge in the opstina itself or on the part of higher-level sociopolitical communities.

Planning in the republics and autonomous provinces has particular importance under these conditions since as a multinational community of equal nationalities and ethnic minorities we have entered into association to form the federal community, which includes the responsibility of the republics and autonomous provinces for their own development and for the development of our socialist community as a whole.

Planning in the Federation likewise has particular importance for the sake of establishing joint interests and goals of development which the working people and nationalities and ethnic minorities of our socialist community pursue on the unified Yugoslav market and in the uniform system of socioeconomic relations of socialist self-management. As a matter of fact, this planning is an essential component of the entirety of planning, since, as is well known from the theory and practice of planning, only those economies deserve to be called planned economies, in the sense of imparting elements of science to development policy and economic policy in which social planning has developed at the level of the economy as a whole.

In our practice to date of realizing and administering the system of self-management social planning, especially since enactment of the constitution, the Law on Associated Labor, and the Law on the Bases of the System of Social Planning and on the Yugoslav Social Plan, numerous difficulties and shortcomings have manifested themselves; in part they have occurred because basic and other organizations of associated labor have been relatively slow in mastering the rather complicated procedure of preparing, reconciling and adopting development plans.

The difficulties that stand in the way of adequate planning in organizations of associated labor include, first of all, the conditions that now exist for the conduct of economic activity, which are not primarily determined by economic and market criteria and influences, but in large part by the influences of governmental and quasigovernmental factors, which is especially manifested under the conditions of instability and a high rate of inflation.

The deformations that exist in the system of social reproduction, especially in the system of distribution and in price relations, and that means in the conditions for the conduct of economic activity, have occurred in spite of market and economic logic and constitute the direct opposite and an obstacle to more effective operationalization of our planning system.

Large differences in operating conditions and conditions for conduct of economic activity, the low accumulative and reproductive capacity of organizations of associated labor in the economy, and also the very uneven distribution of accumulation are causing particular difficulties and problems in the reconciliation of plans of organizations of associated labor and in intensifying the process of pooling labor and capital.

The unsatisfactory pace of the pooling of labor and capital has also been greatly influenced by the present limits and criteria governing distribution of joint income between associated partners, which have operated strongly as a disincentive.

Solving these problems is accordingly very important to strengthening the role and place of the institution of pooling labor and capital through compacts and accords, which is one of the essential factors determining the future development of the system of self-management planning of expanded reproduction.

In social and economic practice planning is still taking place largely in sociopolitical communities and only to a lesser extent in organizations of associated labor.

It is most important to the quality of social planning that the reconciliation of plans encompass that portion of the value of the gross social product realized through the participation of those organizations of associated labor which in view of the present structural characteristics of the Yugoslav economy basically determine through their production the degree of harmony in the basic flows of social reproduction as a whole.

However, in view of the great importance which the system of self-management social planning has to development of our system of socialist self-management, this assessment certainly does not diminish the obligation of all organizations of associated labor to adopt and carry out plans of their own operation and development, mindful in so doing of the general goals and tasks set forth in the social plans of sociopolitical communities.

One of the greatest shortcomings in the development of our system of self-management social planning to date certainly has to do with reconciling development plans and therefore with the consistency and realism with which the joint interests and goals of development are defined.

In this connection our experience to date cautions us that development goals which have been set unrealistically have been one of the principal causes of many of the difficulties and shortcomings we confront in this phase of our socioeconomic development (this has been accentuated by the shortcomings of the existing information system, which does not make it possible to examine the needs and possibilities of further development in good time).

Those difficulties and shortcomings have to do with disruption of certain basic proportions of commodity-money relations, with excessive deficit financing of social reproduction, with exaggerated indebtedness and problems in payments-balance relations, with the high instability of economic developments and strong inflationary trends, with disruptions of the unity of the Yugoslav market, and finally, with the lag in the quality of development of social relations. Often a contributing factor has been enactment of inappropriate measures of economic policy or tardy adoption of the necessary measures or their incomplete or inconsistent enforcement and the like.

In the area of operationalizing the system of self-management social planning specific problems and difficulties have also been arising in the conclusion of social compacts and self-management accords. That is, the causes of many problems and difficulties which have arisen in the recent past, especially in our economic life, have been the failure to respect compacts and accords, and that without any consequences whatsoever for those who violated them.

On the other hand, according to the theoretical conceptions and political ideology which are the foundations of our society's development and which have been expressed in the constitution and the Law on Associated Labor, social compacts and self-management accords ought to have great strength and should be highly binding in the system of socialist self-management. That is why in the practice of concluding accords and compacts there is a need to also establish and elaborate financial liability and public accountability of the participants for failure to discharge obligations assumed in accords and compacts.

Aside from that, in the future development of our socioeconomic and political system on the foundations of socialist self-management they ought to be more a function of economic and market laws, criteria and relations, rather than a substitute for them.

Our experience in past development also points up an entire set of problems pertaining to reconciling the views of the republics and autonomous provinces at the level of the Federation concerning the joint interests and goals of development and the means of achieving them.

Among the problems and dilemmas that arise in this connection one of the most important has to do with the manner of implementation in the practical operationalization of the system of self-management social planning of the constitutional provision that a joint economic policy and joint development policy based on the responsibility of associated labor and the republics and autonomous provinces for their own and for joint development are to be carried out on the unified Yugoslav market.

In this sense there is no contradiction between the economies in the republics or autonomous provinces and the unity of the Yugoslav market. However, there are a number of conditions which first need to be filled to achieve that, and it seems that we should especially single out two, specifically (1) the conception of Yugoslavia's long-range development in which the republics and autonomous provinces have by agreement established the strategy and corresponding joint interests and goals of development which on the same basis, ensuring the equality of the economies in the republics and autonomous provinces on the unified Yugoslav market they will concretize as the joint development and economic policy in the social plans of Yugoslavia and will support by undertaking the appropriate economic and other measures within the constitutional powers and duties of the bodies and agencies of the Federation and of the republics and provinces, and (2) establishment on a self-management basis of development policies of the republics and autonomous provinces which will not contradict the joint interests and goals nor the foundations of the unity of the Yugoslav market. Both one and the other take for granted the basic economic subjects, that is, basic organizations of associated labor and their various associations as subjects which, guided by the logic of income and dependence in reproduction, directly pursue those common interests both on the unified Yugoslav market and in the republics and autonomous provinces. In other words, on the unified market it is segments of associated labor which operate in their own right and confront one another, and not the economies from the republics and autonomous provinces. The sociopolitical communities, especially the Federation, the republics and autonomous provinces, bearing responsibility for

the unity of the Yugoslav market, will have to be decisive in correcting all the impediments to the free movement and pooling of labor and capital, to the free exchange of products and services, and to the other bases of the unity of the Yugoslav market, and will have to prevent the creation of artificial monopolies, abuses of monopolistic positions, and so on.

All the difficulties and shortcomings enumerated above, which have come about because of failure to respect economic laws and market mechanisms and criteria, just as in the case of operationalizing the system of self-management social planning, have brought about both a drop in the efficiency of the economic system and an increase in the instability of economic development, and indeed the lag in development of social relations as well.

We have found ourselves in a situation where neither the market nor the plan had the place and role which corresponds to the nature of our system of self-management, and they do not have it even today. Factors (governmental and quasi-governmental) outside associated labor have filled that vacuum in the initial institutional framework and in the foundations for development of our self-managing society.

For the sake of future and more effective development on the foundations of socialist self-management, then, all subjective factors of our society must fight persistently for a far more consistent respect for and affirmation of economic laws and the market and market mechanisms and criteria along with appropriate further application and elaboration of a system of self-management social planning, and they must win that fight.

Respect for economic laws must also be manifested to a greater degree in all the relations and processes of the conclusion of self-management accords and social compacts (including the free exchange of labor), and thereby throughout social reproduction as a whole.

Although the components of economic laws and the market, just like the components of the system of self-management social planning, must imbue all the relations in the system of social production, especially expanded reproduction, there are still certain objective restrictions in the intensity of their operation. Leaving to one side specific features in the operation of the market and planning components in the domain of the social services, were the commitment that the workers in basic organizations of associated labor shall take command of the entirety of income is realized by applying free exchange of labor and through the appropriate role of the delegate system, our attention with respect to this restriction dwells only on the individual sectors of the economy. Even in the system of socialist self-management differences objectively arise in the intensity of the market and planning components when the economic sectors we are dealing with, by contrast with other sectors, are those in which up-to-date technology requires a large concentration of capital and in which the period required to activate and reproduce the capital committed is extremely lengthy.

However, this certainly does not mean that any sector of the economy or any segment of associated labor can remain outside the framework of the influence

of both market and planning components, since components of both kinds are indispensable institutional frameworks of that development in the present stage of development of the system of socialist self-management.

In defining the long-range economic stabilization program one needs to be very consistent in seeking and finding solutions for improvement of the institutional framework and conditions for conduct of economic activity which maximize the constitutional commitments concerning the role and place of economic laws, the market and self-management planning and which minimize the direct intervention of the government in the flows of social reproduction.

However, taking for granted that our system of planning must respect the inalienable rights of the workers in associated labor, their specific right to dispose of and manage income and the conditions, implements and results of their labor, the government has a certain important role in planning which is indispensable at the present moment of history in order to consolidate and develop further our system of socialist self-management. But its role in our constitutional system is so defined that a domination of the government apparatus and political arbitrariness of government bodies, which would threaten the basic rights of the workers in associated labor, must not occur through the system of planning.

Under those conditions the urgent problems which are often the subject of controversies have begun to appear in a new light.

In view of past experience it can now be stated with quite a bit of confidence that unless the fundamental institutional framework and conditions for conduct of economic activity do follow this course and character of development, the theoretical opportunities do not exist for intensification of the process whereby the workers take command of the conditions and results of their labor, that is, take command of income and surplus labor, especially accumulation, as the basic prerequisite of more stable relations in social reproduction.

3. Management of the Resources of Society and the System of Expanded Reproduction

a) Management of the Resources of Society

An analysis of present relations shows that the workers in the basic organization of associated labor are not yet in a position to manage fully the assets owned by society in conformity with the economic and social nature of those resources and their role in the process of the creation of value. The fact that the resources have been separated from the workers in the basic organizations and that they are being used apart from their immediate interests and decisions is the main reason for the poor efficiency with which the resources of society are employed and for their inefficient utilization.

It is a constant occurrence, one which is manifested still more strongly under conditions of inflation, that the full reproduction of the resources of society is not occurring at their actual value, and in particular that fixed capital is not being depreciated in accordance with its real value and obsolescence.

Which is why the government emerges as the custodian of social property, establishing minimum rates of depreciation, and it performs that function which it has in such a way as to subordinate that function to the pragmatic needs of economic policy. In this way a portion of the value of the resources of society is constantly siphoned off into income and distributed for consumption, which is one of the sources of inflation. In addition, the use of the resources of society does not entail an obligation to achieve corresponding results in simple and expanded reproduction. Which is why relations in the management and distribution of total resources, which are an extremely important factor in labor productivity and the formation of prices, as well as to the realization of income, have not been defined sufficiently or placed on an adequate economic foundation. This problem is all the greater because the attitude toward capital, when it comes to constant technical and technological progress, is assuming ever greater importance.

Closer scrutiny of the utilization of accumulation and funds earmarked for investments shows that the easiest decisions in society are those concerning their use, but also that the possible poor results of investment undertakings are easily passed on to the economy and to society as a whole through various ways of covering losses, overruns, financial rescue plans, writeoffs, etc. Under present conditions we behave toward social capital as though, because it is social, it has no price and is not a value which must be reproduced in the process of production. And thus it is as if efficient use of capital has lost importance when operating and business performance are being evaluated. The productivity of live labor is not related to the volume of social capital used and the level of economic efficiency of their use. That is why the differing organic composition of capital is not sufficiently manifested either in the setting of prices and earning of income or in the distribution of income.

Related to this is the treatment of the basic organization of associated labor as a pooling of labor, that is, as an association of workers, and people often detour around the fact that we are not dealing just with an association of workers, but also a pooling of capital and the fact that the laws of the division of labor which essentially determine both the association of the workers and the association of basic organizations of associated labor are operative on that basis. Conceptions of this kind help to shape the outlook that the essential thing is only or mainly the economy of current labor and that social capital is secondary.

The points already made point up clearly the need for a treatment of social capital and of its place and role in the processes of production and reproduction that will fully reflect its economic and social importance. Otherwise the basic organization of associated labor ceases in one of the essential elements of its status, operation and economic activity to be a commodity producer using social capital in its own interest and the interests of society and obligated to reproduce them, that is, bearing the consequences of its good or bad stewardship of that capital. Neglect of this point has broad implications and does not come down merely to the partial reproduction of productive capital. Segments of the total social capital, of such magnitude and importance, for example, as the housing stock, are reproduced in a manner which results in their constant degradation, with consequences affecting both present

and future generations. Finally, the inappropriate economic attitude toward social capital also narrows the opportunities for broader employment.

A contemporary economy requires a high concentration of capital at many points. If in principle government coercion in this domain is rejected in the system of self-management, then concentration must be accomplished exclusively on an economic basis, on the existence of real economic interests of economic entities in that kind of concentration. The constitution and the Law on Associated Labor have established the pooling of labor and capital through self-management as a fundamental form of achieving self-managing integration of social labor and of circulation of the capital for social reproduction as one of the key links in the system for financing expanded reproduction, which will become the predominant form ensuring circulation of social capital in associated labor and in social reproduction and guaranteeing the rights of the workers in the economic employment of that capital. But in spite of all the general insistence on the principle of pooling labor and capital on this basis, this process has not yielded large results, and instead circulation of capital through credit relations has become broader and broader, the role of the banks has been dominant in these relations, and the banks have not operated as financial associations of organizations of associated labor, but as the long arm of the government.

Commitment of one's own accumulation or of the accumulation of other entities must have its price. In a situation when the credit form of committing the capital "of others" to investment projects is predominant, it is a normal assumption that the rate of interest will be realistic and will become a more vigorous instrument in the fight against redistribution of the real value of social capital. The use of credit as a form of investment should, however, be reduced, the reproductive capacity of the basic organization of associated labor should be increased as the basis for the self-financing of expanded reproduction, and the most favorable conditions should be created for the pooling of labor and capital and for the realization of joint revenues and income on that basis. But even in that form and for the sake of its broadest possible application it is indispensable that under normal conditions an equal benefit be realized in terms of larger income or accumulation than through use of the credit relation. The reference is to the direct or indirect growth of income (if, for example, it is a question of regular supply of energy, better transportation, etc.). If that kind of interest is not respected, since there is a risk that nothing will be accomplished on this basis, then it is difficult to anticipate greater interest in the pooling of labor and capital.

It needs to be emphasized that in spite of the statement of principle and constitutional commitment on the role of past labor and the right to share in joint income on the basis of it, there has been ideological resistance and a fear of opening up room for exploitation. In actuality the reference is to a self-management procedure premised on the inalienable rights of the workers in their basic organizations to create economic entities in which basic and other organizations of associated labor which are pooling labor and capital in them conduct a policy of simple and expanded reproduction on a lasting basis and by agreement, reconciling their production programs and all the essential value components in them--depreciation and accumulation, costs and prices. Within

that framework internal banks may also assist the circulation of capital. Wherever technology because of an economy of scale imposes these large organizational entities, they figure as strong points of support for planned guidance of economic flows. However, it is essential in this connection that they be set up as commodity producers which economic coercion is compelling to conduct their economic activity optimally. What is more, within them all the parts, all the organizations of associated labor they encompass, display the features of commodity producers, all the internal relations are based on objective economic quantities as our market and the world market verifies them, except that the participants, for the sake of long-term economic interests, do not utilize fluctuations and advantages which are of the moment.

An essential prerequisite for all this is that investments in expanded reproduction based on self-financing increase. Self-financing is an indispensable component for stabilizing economic developments, since without it there is no sound selection and good economic decisionmaking on investment projects, nor do the decisionmakers bear full responsibility for their decisions. However, for all the justification of the social condemnation of the present hypertrophy of the credit relation and the need to put a stop to artificial multiplication of the credit potential, which is placing the economy in a subordinate position and compelling growing overindebtedness, the credit mechanism remains an important mechanism for the collection and placement of free and available capital. Provided the role of the credit mechanism and the sphere of its activity are precisely delineated, and assuming that the banks are guided in the operation of their business by economic criteria, that mechanism, by mobilizing savings and other available capital, augments social capital, promotes concentration and faster circulation of social capital and is conducive to the effectiveness of its commitment. This is the important role of the banks, which, as financial associations of organizations of associated labor, should make it possible for them to pool, to manage and to dispose of those resources.

Two conclusions impose themselves when we view as a whole the need for the pooling of labor and capital that is imposed by the contemporary economy and when we compare the real strength of the basic subjects and the role and place of credit resources in financing expanded reproduction: First, that the balance of power between these economic segments has been disrupted contrary to social commitment, and second, that the legally prescribed forms of concentration of capital and labor are scanty. Both of these conclusions make it a necessity that society act to alter these relations and to develop new forms of self-management concentration of capital.

One very important sector of the economy--especially the fuel and power industry and main-line transportation--cannot as a rule rely in its development on capital assembled voluntarily. However, even here a society organized along the lines of self-management is able through its self-managing communities of interest in the republics and autonomous provinces and at the level of Yugoslavia to separate this sector from pure government decisionmaking, linking it as much as possible to the economy, to its needs and responsibilities, and applying economic elements--motivation and criteria--to the maximum.

This kind of attitude toward expanded reproduction as a whole, toward the relations which should be established within it, and toward the interests of economic entities which should be respected will make it possible for the worker, without anyone's intervention, to learn on his own and in the distribution and use of income to respect the objective limit of accumulation and consumption. There is an abundance of evidence of this in our practice.

b) The System of Expanded Reproduction

One of the basic contradictions in the present relations in the system of expanded reproduction has to do with the low accumulative and reproductive capacity of organizations of associated labor in the economy and the high level of investment spending.

The difference between the accumulative capacity of the Yugoslav economy at the micro- and macrolevels indicates the small and--from every standpoint--unsatisfactory role of self-financing, including all the forms and levels of pooling labor and capital, and also the large and dominant role of credit and credit relations. Personal savings have had a share of about one-third in total gross accumulation of the Yugoslav economy in several recent years. At the same time supplemental capital from abroad, taken predominantly on a credit basis, amounted to almost one-fifth of total gross investments in fixed capital.

In view of the fact that in our system of socialist self-management self-financing and the pooling of labor and capital also signify improvement of the quality of investment decisions (and accordingly improved efficiency of the economic system) and improvement of the quality of social relations, there is also a need in the solutions pertaining to the economic system and the measures of economic policy to increase the accumulative and reproductive capacity of basic organizations of associated labor in the economy, as an essential prerequisite for both augmentation of the role of self-financing and for augmenting the role of pooling labor and capital in financing expanded reproduction.

This needs particular emphasis because strengthening the accumulative and reproductive capacity of organizations of associated labor in the economy and also strengthening self-financing and pooling constitute an essential prerequisite for changing the present negative trend of development of relations into a system of expanded social reproduction. The basic characteristic of those relations today is that organizations of associated labor in the economy are becoming larger and larger debtors to the banks, while the national economy as a whole is becoming a larger and larger debtor abroad. A different trend must be imparted in both cases.

If the role of pooling labor and capital is to be enhanced, one of the things required is to establish more stimulative relations in the distribution of joint income. There is also a need to establish more stimulative relations of interdependence between the results of managing capital for social reproduction and personal income.

New instruments based on securities also need to be introduced into the system for financing expanded social reproduction; among other things they would be used for committing resources which are socially owned and private capital more effectively and with greater incentive.

One particular problem in the present system for expanded social reproduction is the system of accumulation, both the system for forming it and also the system for its use.

As for the system of forming accumulation, problems arise both concerning its sound sources and also concerning its deficit or inflationary creation through multiplication on the basis of credit-deposit relations.

This multiplication of accumulation through credit-deposit relations has during the last period of development been one of the principal hotbeds and generators of inflation, with all the considerable adverse consequences for the stability of economic developments, for the effectiveness of the economic system, for the spontaneous redistribution of socioeconomic power to the advantage of factors outside organizations of associated labor in the economy, and, accordingly, for the quality of social relations. That is why the self-management transformation of the credit and banking system, which has become independent, so that it moves closer to workers in basic organizations of associated labor, has particular importance to solving these problems in the system of expanded social reproduction, that is, in the system of accumulation, especially the formation of accumulation.

One of the principal questions in the system of expanded reproduction has to do with the circulation (intersector and interregional) of funds for expanded reproduction on the unified Yugoslav market for the sake of optimal allocation of social resources in general and of social accumulation in particular.

Because of the unresolved issues in this area there have been very marked tendencies toward reproduction of the existing economic structure and the necessary processes of structural changes on a self-management foundation have been greatly impeded. The circulation of capital has been confined within regional boundaries and has been based on governmental and quasi-governmental decisions.

In view of the structural characteristics and phase of development of the Yugoslav economy, which by the force of economic logic and technical progress, is in urgent need of a continuity of structural changes (especially in the light of the strategic orientation toward exports), a solution to the question of the circulation and concentration of funds for expanded reproduction on a self-management foundation figures as one of the most important issues of the entire system of self-management planning of expanded social reproduction.

That is why both in solutions for the economic system and the measures of economic policy organizations of associated labor in the economy need to be stimulated to pool their accumulation on the principles of maximization of income. Along that line restrictions which tend to discourage organizations of associated labor from pooling their labor and capital in order to realize joint

income should be abolished as much as possible. In that light a reassessment should also be made of present relations between the parent organizations of associated labor and newly founded organizations of associated labor established on the basis of pooled labor and capital.

The standards of behavior in preparation and adoption of investment decisions which have been agreed on should also operate in this direction.

4. Worker Command of Income

The workers, that is, organizations of associated labor, have not had control of the entirety of income, nor its realization and distribution. The reference is to complete mastery of income as envisaged in the constitution--within the basic organization of associated labor itself and likewise in the other forms of pooled labor and capital, within the framework of communities of interest and through decisionmaking in the delegate system. This is the key issue in overcoming the stagnation in self-management and in opening up prospects for its advantages to be fully manifested.

The necessity that workers in organizations of associated labor exercise control of income must be seen as an immediate task, and not as some remote historical goal. Starting from the present situation and the modest participation of workers in decisionmaking on the entirety of income, every increase in percentage of the share of organizations of associated labor in income is a step forward, but we dare not stop there. In the present situation and in the period before us this kind of definition of the goal of control over income is not only not satisfactory, but it could postpone essential changes in superseding the statist and paragovernmental disposition of the income of associated labor, and could postpone the actual construction of the system of free exchange of labor and organization of particular interests as conceived in the constitution, and the delegate system could be left to the predominant influence of factors outside associated labor.

It is not possible on that basis to extricate ourselves from the economic and social difficulties and their consequences. Unless the worker has control of income and unless he bears the consequences of exercising that control, unless the worker and his interests are the decisive factor in all forms and domains of decisionmaking on income, within associated labor itself and outside it, then the worker cannot be the principal economic and social subject. Though this is not exactly the most suitable analogy, the worker would find himself in the position of the capitalist who does not decide on his capital and profit and its use, but rather the decisions are made by someone else instead of him. Incidentally, the various forms of intervention of the capitalist state in disposition of capital and especially in determining the conditions for conduct of economic activity, prices, etc., has opened up the way to state capitalism.

Full respect for the historic commitment that the workers shall take control of income and the surplus value of labor is in accord with their nature as self-managing commodity producers. That position of theirs furnishes the basis for a different attitude toward social property, toward work and labor

productivity, and toward the need for full economic and social accountability for the work and business operation of the organization of associated labor in its own interest and in the overall social interest. That also has its social consequences, of course. The position of associated labor is then definite and clear relative to the governmental and self-managing functions of sociopolitical communities and their right to regulate economic and social relations and economic developments. Opportunities are opened up for associated labor within itself, by virtue of its own decisions, and by its own linkage to make it superfluous to have such broad arbitration of sociopolitical communities as governmental communities, thereby reducing their intervention, monitoring and protection so that they are confined to the constitutional limits, but at the same time accentuating their role as self-managed factors in our society. This at the same time essentially diminishes the space for group-ownership behavior at the material base and social position of the bureaucracy and technocracy to manipulate the interests of the working class and exercise power over it by making decisions on a sizable portion of income and especially on the surplus value of labor. This strategy and transformation is by no means simple and calls for an examination of all the practical mechanisms of the economic system and for a change of the character and methods of economic policy.

5. Economic Functions of Income

Under the conditions of social ownership of the means of production and worker self-management the total product sold and income are in the hands of the creators of value. This eliminates duality in disposition of income and the division of income into that part which the producer disposes of in the form of personal income (wages, earnings) and that part which is appropriated by the owner of capital as the surplus value of labor (profit, accumulation). The mastery of income by the worker and his basic organization of associated labor is the material basis and economic condition for his mastering the entirety of social production. This can bring about profound changes in production relations, in the realization and distribution of income, and in relations between self-management and the state.

What primarily interests us at this point are the economic functions of income, the differing purpose of that portion of it which is to go to meet the needs of reproduction of the worker and his family and that portion which is to go to meet future needs, for expansion and improvement of the material base of labor. Decisionmaking on the fate of both parts of income is unified in a single person, who is at one and the same time producer and consumer.

Two conclusions follow from this. First, that regardless of the unity of income, it is not an amorphous mass, but continues to contain both functions, that is, both purposes of income. Unless equal respect is given to both types of needs, it is not possible to guarantee reproduction of the self-managing economy and society without adverse consequences. And second, the distribution of income into personal incomes and accumulation is not and cannot be a subjectivistic act. It is objectively given for a given period of time, and it is expressed in the agreement on the bases of the social plan. Since it is not possible to stretch income, since it is a given quantity in any particular

case and in the entire social community, it is thus not possible either to accomplish an arbitrary and economically unjustified shift of the ratio between accumulation and consumption.

Neglecting the fact that the basic goal of socialist production is the ever fuller satisfaction of needs and that the worker cannot be expected to behave as a rational producer if he is not motivated by a material interest in a continuous rise of the standard of living--his own, that of his family, and that of society as a whole--has untold economic and social consequences.

That is why it is especially important to the further development of self-management to create the economic and social conditions and mechanisms of the economic system in which the worker will more and more feel like a producer whose decisions on the use of income are crucial to his future and to his position in society, as well as to the future of the organization in which he works and in which he makes decisions on income and from which he derives his personal income as well. Otherwise intervention by the government in the disposition of income in the name of protecting the social nature of income, future development, and so on, will inevitably recur.

Consequently, taking command of income is inseparably bound up with that status and those working and business conditions of organizations of associated labor on the unified Yugoslav market whereby the interests of the working class and economic necessity and coercion will act toward the workers being affirmed more and more as the decisionmakers in all the principal functions contained in the contradictory nature of income. That contradiction will be resolved by the workers themselves, without the intermediation of factors outside associated labor, insofar as those inalienable rights of theirs entail full economic responsibility for use of the resources of society, for their own work and business operation and for social progress as a whole.

6. Worker Command of Working Conditions and Business Conditions

Under our socioeconomic conditions production has the characteristics of production of value and of commodity production. That makes it necessary for the market to evaluate the results of work and business operation of every individual economic entity and that pricing methods be such as to result from the effect of the world market, economic relations within the country and the supply and demand on the domestic market.

At the same time this presupposes the existence of reasonable tariff protection, which respects differences in the level of labor productivity, but which at the same time also respects world criteria in ascertaining the results of business operation. It is also assumed that we have our own development policy and that that policy is planned, coordinated and agreed on in such a way as to express our development goals, common interests and the specific features of the republics and autonomous provinces, assuming an ever greater degree of association of labor on the unified Yugoslav market and ever greater inclusion in the international division of labor. In this connection we should also be aware of the fact that it is above all those economic organizations with business strength that have formed association over the entire

unified space of Yugoslavia which can survive successfully in the competitive struggle on the world market.

That kind of policy is essentially antiautarkic, it is oriented toward convertibility of the national currency and, on that basis, toward creation of conditions of the greatest equality in foreign trade, that is, toward the most appropriate possible valuation of our work, toward the ability to absorb the scientific and technological progress of others, but also toward our own scientific and technological development, without which there is neither economic emancipation, nor equality, nor will it be possible to keep pace with the rise of labor productivity and overall progress in the world. This kind of orientation is a prerequisite if our system is to display its advantages and demonstrate that socialist self-management contains humane components in production relations, but also a capability for reproduction on the basis of high productivity, high quality and high efficiency.

With these circumstances in mind, our economic subjects are to take control of the entirety of working and business conditions. The price system and policy, the system for issuing money and credit and monetary policy, as well as the system and policy of contributions and taxes should conform to that demand.

It is essential in this connection that every organization of associated labor, alone or in an accord and compact with other organizations of associated labor (assuming prevention of price setting on a cartel or monopoly basis) decides on prices according to the conditions of the market (domestic and foreign). It is contrary to this orientation that prices be set by any sociopolitical community or that they be set on the basis of a division of powers among the Federation, the republics, the autonomous provinces and the opstinas (a division by products or percentages). This does not mean that these communities do not influence or should not influence price affairs, but not by setting prices, though there may be exceptions, but through the measures of economic policy, including interventions with material reserves and social price control, which encourage more stable relations in the economy and on the market, by monitoring and combating various forms of monopoly, and so on.

Both economic policy and its individual measures must at the same time proceed from a strict respect for the fact that the setting of prices is one of the rights of associated labor itself, that the measures of sociopolitical communities shall respect its interests, that they shall be based on economic criteria and that they shall respect the market conditions of business operation. Coercion from outside the economy in this sphere as a rule has adverse economic consequences and is among the most frequently used methods of statist intervention and of expanding the power of the state.

Associated labor's exercise of this right presupposes respect for the role and importance of all factors of production, a realistic representation of all production costs and a wholesome market competition in which higher productivity and better employment of the resources of society will result in greater income, higher personal incomes and larger accumulation. This means that the results of labor will be measured by the work invested and its effects, but also as a function of the size of resources of society employed (as a function of labor productivity and the organic composition of capital).

In addition, there are two other points that have to be borne in mind in connection with the setting of prices and the income realized on that basis. There is also a need to guarantee on the basis of objective social criteria that that portion of income which is derived from exceptional advantages in its realization is earmarked exclusively for development of the material basis of labor, and then the system and policy governing contributions and taxes should not burden business conditions, but should depend on the results achieved, care being taken so that the motivation to increase output and income, to raise labor productivity and to conduct economic activity efficiently and effectively is by no means jeopardized. All of this means that business conditions and economic accountability for the results will be considerably stricter than is the case today.

7. Distribution According to the Results of Work and of Economic Activity

The economic purport of distribution according to work is that it furnishes an impetus to the invigoration of all factors in higher labor productivity and successful worker management of the business operation of the basic organization in which they work and also of the business operation of the work organization and complex organization of which their basic organization is a part and whose business operation is also managed by the workers in basic organizations of associated labor making them up. This stimulus should be sufficient for attainment of the appropriate results, but it should not be greater than necessary, since then it becomes a socially and economically unjustified privilege accorded at the expense of accumulation of the resources which are socially owned.

Since the realization of income by organizations of associated labor is also affected by factors which do not depend on the work and management of workers in them, such as, for example, exceptional natural conditions under which work is done, exceptional market advantages or other advantages for realization of income, and since in addition various factors which depend on work yield results in differing proportions to the contribution of work, distribution according to work presupposes establishment of the bases on which income is realized and the appropriate measure for division of resources into personal and community consumption according to those bases, in conformity with the results achieved and the contribution which the workers have made to this by their own labor and management of the resources of society as well as of their own past labor and that of society.

Although the realization of income in different activities and organizations is influenced by diverse factors and does have varying intensity and differing results, this is no impediment to building up the system of distribution according to work as a uniform system throughout the entire society nor to organizations of associated labor establishing in self-management accords, assuming a vigorous role by the trade unions, joint bases and scales of distribution which when applied to the specific operating and business conditions of every organization of associated labor will everywhere give for the same contribution of work, for the same results of work and business, at least approximately the same personal incomes. This means that the realization of larger personal incomes should be made possible on the basis of larger results of labor.

This is an extremely important part of the entire system of socioeconomic relations, one on which the material and social position of every worker depends and whose consistent application essentially determines the effectiveness of the entire system of socioeconomic relations of socialist self-management.

If the system of distribution according to work is to conform to its internal logic, it requires conditions for the conduct of economic activity that are known in advance, correct determination and representation of income, realistic determination of the depreciation of fixed capital and material costs, as well as a secondary distribution, that is, fiscal distribution and other deductions from income which will not disturb the proper ratio between total income realized and net income. In other words, it requires that the establishment and representation of income, as well as the system of taxes and contributions, be socially regulated in conformity with the internal logic of the principle of distribution according to work.

The demand that greater social esteem and a better material value be accorded to production work, to work under difficult conditions, and also to creativity in general has particular importance and direct relevance to the system of distribution. This is a condition not only for changing vocational orientation in accordance with the demands of successful material and social development and for changing the attitude of production workers toward their work, for workers to see their existence above all in their organization of associated labor and in its improved business operation, but also for the criteria governing material and moral valuation of the labor of production workers to be in line with the nature of a self-managing socialist society.

Adequate material and social valuation of the scientific or other creative contribution, along with proper valuation of production work, will create conditions for initiative and creativity to arrive. This kind of orientation can become a real barrier to the growth of administration and to the squandering of the resources of society and can stimulate a rise of labor productivity, provide the necessary foundation for reform of education and for up-to-date organization of work set up on scientific foundations. It is at the same time an essential condition for changing the present relations and positions of individual segments of the working class, which in turn will have a beneficial effect toward changing the relations that exist throughout society.

Only under those conditions will it be possible to fulfill the lasting commitment of ensuring an equal personal income for an approximately equal amount and quality of labor, including the results of the management of labor and of its conditions and results. Given the very heterogeneous practice in the evaluation of labor today, this principle is becoming an increasingly urgent one and has both economic and also broader social importance. The trade union has an indispensable role in this domain.

8. Economic Accountability of Individual Entities and of the Workers Themselves

The accountability of the workers and of organizations of associated labor is above all economic. Today, when they do not govern income, but rather their

decisionmaking on expanded reproduction is very limited, when they have little effect on the conditions for the conduct of economic activity, with all the governmental and other interventions in the domain of prices, the formation and distribution of income, the economic accountability of organizations of associated labor is very reduced and devalued, and ultimately it results in socialization of many failures and of responsibility which ought to be clearly defined and ought to bear the direct consequences for those who bear that responsibility. In addition, the very pronounced process of distribution and redistribution of the newly created value, essentially intensified by the high rate of inflation and numerous interventions at various levels, diminishes direct economic responsibility of economic and other subjects.

On that basis various forms of social intervention are covering many shortcomings and economic failures and are being justified more and more on the basis of the principle of solidarity. Solidarity, as an essential component of a socialist self-managing society, is thereby used even in situations and for purposes which have nothing to do with solidarity. Inappropriate and excessively broad application of the principle of solidarity is having adverse consequences for conducting business on an economic basis and is resulting in interpretations of certain institutions of our system which are contrary to their nature and purpose.

If economic accountability is to be required, work collectives must first be placed in a position of commodity producers, as equal partners on the market, above all by creating appropriate conditions for conduct of economic activity. Neglect of economic accountability and emphasis of all possible objective and other circumstances which make it difficult to establish it is tending to weaken certain basic economic prerequisites and prerequisites of the system without which it is not possible to expect that the working collective will look to itself and its capabilities and unused potential and join other organizations in seeking a way out of the present difficulties.

That is why in the stabilization program, along with the proposal for necessary changes of relations in social reproduction and the measures which are to make it possible for the self-managing entities to make economic and social decisions independently, there must be insistence on reaffirmation of the economic accountability of all subjects. This orientation will inevitably operate in the direction of poor business results being reflected in the level of personal incomes of the workers and toward the outlook that coverage of losses can be neither a right nor a rule, but an extreme exception, an exception when there exists an unambiguous social interest, above all the interest of associated labor, and that this is not a general sociopolitical concern and obligation. This should become the normal thing, since this is in line with the nature of structural and other changes which are inevitably coming about in the economy, and any production operation should be shut down, including even entire organizations based on it, if it does not convert in good time to new production and new products or if it does not keep pace with the general rise of labor productivity in its respective line of production.

The many years of experience in covering losses at the end of the year and the unselective coverage of losses or carrying of losses over to the next period,

with formal coverage or without it, stands in the way of the normal process whereby particular production operations come into being and disappear. A sizable portion of the national income is lost in this way, technological development is hampered, and the competitiveness of our economy on the world market is steadily diminished. Even the most able organizations become hampered in their progress under the burden of this quasi-solidarity.

Prejudices or dogmas to the effect that not a single organization can or should go under still have currency. The survival or termination of an organization of associated labor should be decided by economic considerations, which will show what its survival means and how much it will cost and what is gained by complete or partial termination or by changing its line of production, and so on. In this connection there does not exist even accountability of professional managers or any obligation to discharge them because of losses lasting over several years. Some organizations have had losses exceeding the value of the total resources of society they manage. It is difficult to understand what goals in building socialism can justify their survival.

The problem of placing the workers of those organizations in jobs must, of course, be solved, but not at the price of maintaining unprofitable organizations, but by transferring the means of production, as social property, to other organizations, with or without realistic compensation, where they will be efficiently and profitably used and where, of course, concern will be paid to productive employment of the workers.

9. Social Services

Free exchange of labor as our lasting commitment will make it possible for self-management to be related not only to economic activity, but also to become an integral relationship, that is, for all workers who live from their labor to achieve the same social position.

Organizations of associated labor in the social services should earn income in the form of compensation for services which they render to economic entities in the sphere of material production and to other users. The overall opportunities for development, including opportunities for development of the social services, are given by the available national income, whose growth may be the result only of the joint efforts of the workers in the sector of physical production and that of the social services. Proceeding on that basis, relations between them should be based on equality and jointly conceived programs which will respect the needs and capabilities of both physical production and the social services and, on that basis, they should be based on establishment of mutual rights and obligations by agreement.

Along with respect for the nature and specific features of the social services, the productivity of labor and efficiency of business operation have full significance for them, just as they do for all other activity.

On the basis of this conception of mutual relations, which begin with the direct free exchange of labor between interested entities, without the intermediation of self-managing communities of interest, including free exchange of

labor related to local communities when it is a question of meeting the needs of their inhabitants, to other forms of linkage based on interest, solidarity and organization around interest in the republics and autonomous provinces should be reduced to the necessary degree.

With all that borne in mind, the self-managing communities of interest are an indispensable factor in the conclusion of accords and compacts among interested participants within them, in establishment of joint policy and programs for development of the various social services, and in regulating mutual relations.

However, in spite of the initial results, we are still far from achieving free exchange of labor as it was conceived in the constitution and the Law on Associated Labor.

The shortcomings of the development of free exchange of labor to date in the self-managing communities of interest have been manifested especially in the large growth of administration in those communities and in its acting as an intermediary in relations between the workers in the social services and the users of those services, as well as in the surviving automatism of the contributions which are made from the income of organizations of associated labor and from the personal incomes of workers to satisfy their joint needs in communities of interest and which are given to organizations of associated labor in the social services regardless of their work. That is why the appropriation and decisionmaking on the use of funds assembled in that way have been alienated from the workers and are not in line with their needs and capabilities, while the power of the administration has been growing, intensified by the possibility of disposing of funds which are gathered in the communities of interest.

A closer relationship needs to be established between the satisfaction of needs which are related above all to the personal standard of living of the worker and his family and his gross personal income; that is, it must be made possible for him to make a direct decision on this matter, while the satisfaction of those needs which have to do with solidarity or are needs of overall development (basic scientific research, say) ought to be based on the income of organizations of associated labor and on the economic strength of the users.

Finally, in one domain which in both its activities and within each individual activity is full of specific features (elementary and university education, say) we have not advanced beyond general commitments, without entering into a professional and specific treatment of the problems of the various activities and into the proposal of methods and measures which ought to be applied in each of them, proceeding on the basis of the overall foundations and principles of the free exchange of labor.

Instead of evaluating and condemning this institution as a whole and the shortcomings of the present self-managing communities of interest, very specific work needs to be done within each individual activity in accordance with the nature of the needs which the individual institutions satisfy, and there is a need for radical change of the present situation and of the character of

decisionmaking and disposition of the funds pooled in the communities of interest.

10. Methods and Means of Achieving the System of Self-Managing Socialist Relations and Economic Policy

Continued successful development of our system and achievements of the economic and social goals set forth on a self-managing basis are possible only if the interests of its principal subjects in all forms of their association are taken as the point of departure and if their initiative and action are taken for granted. This at the same time defines the place and manner of commitment of the sociopolitical communities and of their bodies and agencies and also of the subjective social forces.

The sociopolitical communities, that is, as the broadest self-managing communities, facilitate conclusion of self-management accords and agreements within their assemblies, provided the delegate system is fully manifested. And there is nothing that can replace this as a line of development whenever it is a question of major social decisions. It is a part of the system of self-management and of decisionmaking, and that the most subtle of its parts. The operation of sociopolitical communities in the governmental function and their decisionmaking and intervention under that head must be based on the constitution and on full respect for the operation of economic laws, which also presupposes that appropriate methods of action will be chosen.

It is especially important in this connection that the position of executive bodies and their forms of operation be adapted as a whole to the social relations of self-management and to the rights and duties of the sociopolitical communities. Their independence is manifested in their function of preparing decisions and particularly in carrying out those decisions. Any other aspect of their independence leads to diminished importance and responsibility of delegate assemblies or to displacement of economic laws and to a strengthening of administrative decisionmaking and technobureaucratic tendencies. Consequently, in the present phase of development it is quite essential that the predominance of the state-ownership and administrative approaches in the work of executive bodies at all levels and the hampering of the development of the delegate system as a democratic mechanism, in which associated labor and its interests play a decisive role, be replaced by essentially different relations among all the relevant factors in society, in conformity with the foundations of our socioeconomic system and political system.

In that context the position of the sociopolitical organs and especially the role of the LCY, requires certain clarifications. First of all, an end should be put to cases where the LCY or its organ is merged with government bodies and agencies, on the basis of the definition of the place and role of the LCY in the LCY Program and on the basis of the resolutions of the 10th and 12th congresses. The League of Communists must show more concern and make efforts to realize the historic interests of the working class, the ideological unity of the LCY, the discovery and resolution of the principal contradictions in society, and the mobility and presence of the LCY in all the cells of society--in self-managed organizations and in all forms of delegate

decisionmaking in which its presence should be a guarantee of preservation of the revolutionary achievements, of realization of the historic interests of the working class, of its unity and the equality of the nationalities and ethnic minorities, and of the unity of the Yugoslav community.

In that sense there need to be quite a few changes in the operating methods and activity of all organs both in sociopolitical communities and in sociopolitical organizations. To be specific, the means and methods of economic policy must undergo radical changes, must be adapted to the position of associated labor in our society, to respect for the law of socialist commodity production, and to the theory and practice of socialist self-management. It is natural that the old and the new will be intermixed in this, that government intervention will still have their place along the problematical and lengthy road of building a self-managing socialist society. But the essential thing in all of this is the character of the methods and means used to achieve our goals, which tendencies win out and whether the present practice undergoes change. Otherwise the contradictions between the foundations of the system and the institutional position of associated labor on the one hand, and the means and methods of achieving those goals on the other become increasingly serious and could have lasting consequences.

C. Material Development

As has been mentioned, we should look for the causes of our present situation in material development as well.

1. The Course Toward Industrialization

There is no doubt that the only possible line of development for Yugoslavia after the war was to industrialize the country. That orientation and successes in this area have basically altered Yugoslavia's economic and social structure and have helped it to attain the level of a moderately developed country with strong and underutilized productive forces, with a sizable working class and with a large number of educated and highly skilled personnel.

The remarks which follow and which point up the accompanying shortcomings of industrialization are not aimed at offering any complete retrospective assessment of the road that has been traveled and of its conditionality, but to point up certain shortcomings and problems which at this level of development have a certain specific weight, especially with a view to future development.

In the first place we should emphasize the one-sidedness in conceptions of industrialization and in its implementation. What was understandable for its first phase--that everything should be subordinated to it and that it should have absolute priority, even at the price of disinvestment in certain other sectors of the economy, is not only not possible today, but in fact represents a serious obstacle to further development of both industry and the economy as a whole. Without generalizing, it can still be said that in every opstina and community plans are still based and success evaluated according to the development or expansion of industry. The conceptions from the initial period of postwar development have left deep roots. As we were freeing ourselves from

certain burdens of state socialism, very important trusts were given, for example, to the development of trade, to agriculture in the latter half of the fifties and in the sixties, and later, as personal income grew, to certain service activities.

But viewed as a whole this one-sided attitude toward industry as almost the only factor of progress and the underestimation and neglect of other sectors and branches of the economy and also of certain noneconomic activities have not been overcome even today. And when attempts have been made from time to time to equalize their business conditions and to establish relations that conform to the plan and more balance in their development, this distribution of the planned investments was departed from in practice, industry broke out into the foreground regardless of the ever greater adverse consequences for both industry itself and the economy as a whole. The emphasis put from time to time on accelerated development of particular branches and activities (agriculture, transportation, timber and lumber, reclamation, etc.) were more an expression of necessity, of political need, and so on, than any long-range orientation.

In many places agriculture has been developing as a function of supplying the public rather than for the sake of a lasting growth of income, trade has not uncommonly been treated as a speculative activity, capacities in the service activities are inadequate, and the unsatisfied needs are so great and the quality of work in them such that the greater demand of the public is being partly met by the work of workers employed in the socialist sector who practice additional occupations as private entrepreneurs outside their organizations, their income from that work is not recorded, and therefore they bear no social obligations whatsoever on that basis.

The orientation toward large projects even though they are not economically justified is related to this as well. In many places nearly every plan has been oriented predominantly toward large individual investment projects which were supposed to signify a major change in development in each particular area. Underestimation of medium-sized and especially small organizations is an expression of the very low level of division of labor and mutual dependence of the branches and groupings of the economy, but also of the conception that only large projects can fundamentally change the situation, but not the erection of medium-sized and small projects which would gradually overcome backwardness. The figures show that Yugoslavia's economy has relatively more large organizations than the advanced capitalist countries and incomparably fewer medium-sized and smaller organizations.

One of the things this has meant is extensive development of industry and the hiring, especially in large organizations, of a considerably larger number of workers than is technologically and economically justified, while high rates of employment have not been achieved in dispersed smaller industrial and other organizations, in a multitude of ancillary organizations, in service activities, in still broader development of agriculture and other activities. Un-synchronized development of interdependent production even within the confines of particular activities and especially of interdependent activities, along with the lag in development of entire economic sectors, have considerably

diminished the efficiency of invested capital, slowed down the growth of labor productivity and increased the country's dependence on imports. Uncontrolled and very rapid social changes, the mass exodus from rural areas and from agriculture and many problems in the cities have been a constant concomitant phenomenon of this kind of development.

This kind of orientation in development and this kind of distribution of the productive forces among branches and activities represent one of the greatest disproportions in the structure of our economy.

Along with the preference given to the development of industry, the treatment of certain economic activities has also been economically defective with respect to the conditions for their economic activity, which is why their overall position is unfavorable. This is the kind of treatment that has been given both to the fuel and power industry and certain other branches of primary production, agriculture above all. Electric power has hardly had economic rates at any point. Rates have been set by the government in the heavy industries and in agriculture as well.

The example of agriculture is very instructive. Viewed as a whole, it is still not treated as an economic sector in which income must be earned just as in others, but as an activity which is to guarantee supply. Its noneconomic treatment has been motivated by the need to preserve the standard of living of the population. However, it has been lost from view that the inevitable lag under those conditions is not only unable to contribute to the rise of the standard of living on a lasting basis, but even will actually threaten it. The change of agriculture's social and economic treatment and its accelerated development are a material and social need of the country based on the real potential opportunities which cannot be allowed to slip by.

Transportation, especially rail transportation, which has experienced disinvestment and lag in development on a lasting basis, is in a similar position. One reason is that even the organization is contrary to the nature of this organization. The lack of complementary development of river, maritime and rail transportation, which would facilitate cheaper transportation as compared to highway transportation, is considerably increasing the share of shipping costs in the price structure of products and is diminishing our competitiveness on the European and world markets.

The service activities have been given similar treatment, especially the housing industry and municipal services and utilities, in which relations have also been set up uneconomically, rents do not cover even simple reproduction of the housing stock, and in spite of high appropriations for housing construction and construction of municipal utilities and services, there has been both disinvestment and a growth of housing problems in the cities, especially in the case of worker families living exclusively on income earned by work in the socialized sector.

This answers at least in part the question of why in spite of the high growth rates of employment there is still widespread unemployment or a high rate of unemployment or fictitious employment [redundant manpower in the workplace]

relative to the work force, why the exodus from farming and rural areas are so strongly pronounced (this is necessary and inevitable, but not in such a short interval and at such a rate) and why the problems in the cities are increasing and becoming more and more complicated. While in one sector sizable productive capital goes unutilized (land, agricultural equipment and buildings, rural dwellings and the like), the economy, especially industry, among the other reasons, is unable to develop and conduct its economic activity on a sound foundation because of the high pressure to hire manpower.

Neglect of the development of certain activities of the economy, disinvestment in those activities and extensive development of industry have been accompanied by adverse consequences of the country's industrialization to date, and these facts must be manifested in the conception of the long-range development program and stabilization program.

It is necessary, then, precisely because of the augmented capacity of industry itself, that all other activities develop so as to create more favorable conditions for industry's further development in an interdependence with other economic sectors, above all on the basis of further dispersion of its capacities, along with far better regional distribution, in combination with a network of ancillary small and medium-sized plants in all activities, which will emphasize the division of labor and the necessity of forming ties and associations of the greatest potential, but also the conditions for further qualitative and quantitative growth of industry.

This needs to be established exclusively on a foundation of self-management, which means that the respective organizations of associated labor must participate in this process as the principal protagonist. The essential thing in all of this is to respect above all realistic economic relations among the branches of industry and activities of the economy and to strictly honor economic principles in the conduct of business. At the same time, overall economic conditions, the available unused capacity and the limited capital for development--point up the exceptional importance of the fullest possible utilization of available capabilities in industry and other economic activities. Development on this basis of highly productive production oriented toward export would make it possible to introduce more than one shift in a large number of existing industrial plants, which would not only speed up economic development, but would also create additional room for opening up jobs in industry and for stimulation of the development of small business in tertiary activities, which can develop more successfully under those conditions. In this context the fullest, most efficient and most optimum possible use of available productive capacity and economic resources as a whole is one of the priority tasks in development policy covering the next period. The essential thing in all this is above all to respect the real economic conditions among branches of industry and activities of the economy and to strictly honor economic principles in the conduct of business.

2. Inclusion in the International Division of Labor

Although the openness of the economy to foreign countries and its broadest possible inclusion in the international division of labor have always been

stressed as the goal of our development policy, the importance given to it varying from period to period, the awareness of the true importance of this component of economic activity has had hard going, so that its accomplishment has been an expression of necessity rather than an organic need of growth and development. This need is based more on political premises (the character of our society, its openness, Yugoslavia's nonaligned position outside the blocs, outside economic groupings, etc.). Policy has certainly put a high value on this goal, but the appropriate conclusions have not always been drawn concerning the need to conduct a very consistent economic policy within the country, which is why appropriate and comprehensive measures have not been taken to carry out such a policy, which would have made this kind of orientation realistic and feasible. Far from that, the domestic constellation of economic conditions and relations which have prevailed in economic development have encouraged autarky and a high and often prohibited protection of domestic production, which because of its overemphasis has not stimulated domestic development, but has created conditions for the influence of foreign economies not to be felt on the domestic market, has tolerated a lower productivity and efficiency, slow assimilation of up-to-date forms of economic activity and modern technology, as well as low and inefficient use of available resources. But more important and decisive to autarkic development has been economic policy within the country, which, on the basis of certain inadequate economic mechanisms, has facilitated an almost continuous seller's market, which in large part was based on artificial demand in all its forms, above all on unrealistically high investments. This has constantly disrupted economic relations, brought about instability of the market and prices, unrealistic planning, adaptation to consumption exceeding the limits of what had been achieved and earned, pressure to contract indebtedness, and so on. The way out of this situation was not always sought in equipping the economy for international competition and export, but in restrictions and in raising import barriers, whereby the growth of production and qualitative elements of economic activity were jeopardized. This method of operation and conduct of business, the mechanisms which made it possible, and also statist tendencies became resistant to the consequences and difficulties which our economy and society have fallen into more and more. The quantitative results were emphasized, and all the disturbances that were present were underestimated on the basis of the quantitative results. Examination of the danger of this kind of extensive development and of its limited possibilities could be postponed until the outsized sources of consumption dried up and until the use of foreign loans reached and exceeded our capabilities.

Future more rapid and comprehensive development of economic relations with foreign countries has primary importance to our country, which in view of its size and social relations is imperatively oriented toward export and the broadest economic cooperation with other economies. Self-management, its principal subjects, and market verification of the results of labor and business need as an essential prerequisite continuous confirmation of results achieved on the international market according to the higher criteria by which they are measured.

To be sure, this was noted relatively early in our development, as indicated by the attempt at the so-called minireform in 1961 and the social and economic

reform in 1965. However, the first, as a very limited attempt, and the second, which was taken without the necessary prerequisite in a fully shaped economic and social system (which came about only with the "worker amendments" in 1972 and the 1974 Constitution) and when there was not enough willingness to bear the consequences of quite profound changes, were soon abandoned, and over the entire last decade this has brought about still greater exclusiveness and a piling up of our problems.

In the context of the considerably enlarged productive forces and national income, which suggests much greater trade with the world, production has been predominantly oriented toward the domestic market, and exports have been treated as a necessity or as a market for surpluses of products which the domestic market did not want to absorb. Along with the quite fierce economic competition, which favors the more productive producers, stagnant tendencies in the development of our national economies and attainment of the extreme limits of possible foreign indebtedness have confronted us with an unavoidable problem whose solution necessitates profound changes in the economy, which has become accustomed to quite different behavior and is rather resistant to qualitative changes. Given the unfavorable international economic situation, there is obviously no other way out. Changes in social relations, following the logic of the constitution, and economic changes premised on shattering autarky, and on the primacy of exports and economic ties with the world comprise a unified whole.

The necessary transformation of the economy, though it is now incomparably better developed than in 1965, though we have a conception of social relations as an essential prerequisite for lasting economic reorganization, will neither be easier nor simpler than when the economic reform was undertaken.

The more highly developed economy requires a more elaborate and finer tuned economic mechanism, relations within associated labor and between the republics and autonomous provinces require much more painstaking treatment, and the social consequences require examination and solution in conformity with the interests of the producer segment of the working class, as well as recognition of the augmented social and other inequities, a cutting of the roots and sources of income on some other basis than work, speculation, bribes; everything implied by antisocialist tendencies, which encourages idleness and indifference. The depth of the changes will also require opening up real prospects for the future development of social relations, the status of the worker, for treatment of productive and creative work, and a different scale of social and economic values.

The orientation toward export must run like a red thread through all these changes. It is on that basis that the effect of all elements of the economic system, of plans and of economic policy must be verified as to how far they reflect the interest of associated labor, but also respect the awareness and assurance that without exports and expansion of economic relations with the world in all forms we cannot live better or survive. This is the point of intersection of the interest in more stable relations in the economy, as a condition for work and the results of work to be manifested, and for self-management to win real protagonists and a new spurt by strengthening our position on the world market on a more equal basis.

Our technological and technical development are also most intimately bound up with this. We have used and must continue to use all the advances of science, engineering and technology in the world available to us. The need for continued transfer of those advances in the country in the future is unquestionable. However, in future development we must accomplish that transfer in the context of our own long-range strategy for the development of science and technology. It is not permissible to buy licenses on an extremely liberalistic basis, when we lack our own strategy for technological development, when lack appropriate development of domestic science and technology, when the technology passed on is not refined or developed further, and it is also not permissible to consent to unequal conditions in this type of cooperation with foreign countries. This has impeded the development of our science and technology, and in practice the division of labor, the formation of domestic associations and joint representation toward the powerful concerns in the world have been neglected [original reads "overstrained"]. Foreign countries have begun to divide up our market among themselves, causing antagonism on that basis among domestic producers, and sometimes even arbitration among them. In a social community like ours, when there exist differing autarkic development policies in the republics and autonomous provinces, occurrences like this represent a serious danger, since they lead our economy into ever greater dependence on foreign companies, some organizations become an appendage of them, we are tardy in entering upon technological development, we pay a high price for every technological advance, we are lagging further behind and we are accentuating our lack of connections. The parcelization of our market and the phenomenon of its regionalization are directly related to this kind of position of ours vis-a-vis foreign companies.

It seems contradictory, but this liberalism in the purchase of licenses is directly related to autarky in the development of our economy. The possibility of living above all from the domestic autarkic market does not stimulate efforts to develop our own science and to upgrade the advances of others, but rather to open wide the "technological door" to foreign companies, to pass that concern on to others, while the domestic market, which is shut off, must pay every cost, including that one. Related to this is the assent to so-called restrictive clauses in contracts whereby the domestic partners unanimously assume a commitment that they will not sell products based on foreign licenses on a foreign market or that they may do so only on the East European market.

Even at this point of our foreign relations a major change of direction is needed, one which will not be easy, nor can it be carried out quickly, since it has its domestic and external prerequisites, which we can achieve only gradually.

Assuming establishment of more stable relations in our economy, when our economic entities will by the force of economic necessity be turned to one another, to establishment of mutual ties on the basis of the division of labor, and, given the fiercer competition on the world market, which necessitates higher productivity and technical and technological capability, to keep pace with others, it is natural that the formation of associations within the country requires a clearly established technological strategy as well as the

development of a domestic science with closer ties to the economy on the basis of overall development policy.

Since we find ourselves in difficulties which have arisen from the spontaneous and unwise structural development of our economy, momentary economic interests in production and the like cannot be the commencement or that lasting basis of internal linkage, but rather this must above all be joint development plans of organizations of associated labor, which should include joint scientific and technological progress. Only along this road is it possible to achieve more lasting linkage and interdependence among them. Not only ties so as to obtain some critical material or lacking foreign exchange which can be obtained elsewhere tomorrow, but joint scientific research and technological, technical and production ties which give a lasting character to the manifold nature of relations and at the same time strengthen such organizations for efforts on the world market and for more equal relations with foreign trading partners. Only this will make it possible for the results of our economy's knowledge and technological growth to be put to use and multiplied in the export of our products.

Our science has already achieved important results, in certain fields especially. We possess a sizable scientific potential on which associated labor can put still greater demands.

That is why the long-range stabilization program must furnish specific guidelines for the development of science and define its place and treatment and give preference to that orientation of production which places the initiative and interest of the workers in the foreground, which proceeds from the position of the workers in organizations of associated labor and our society, since otherwise the demand for efficiency in the conduct of business will not have a real basis.

It can be confidently said that scientific, technical and technological cooperation on a long-term basis and dispersal of technical and technological progress over regional borders and barriers are one of the essential elements for overcoming regional limitations and crossing the borders of sociopolitical communities and for strengthening the unified Yugoslav market.

3. Economic Development of the Republics and Autonomous Provinces and Regional Development

In this domain we must proceed from several premises. In a multinational and federal community the principle must prevail that every republic and autonomous province, within its rights and duties established by the constitution, shall bear responsibility for its own development and development of the entire Yugoslav community and accordingly dispose of its natural resources, national income and especially the surplus value of labor. Respect must be paid to the existence and development of the economies in the republics and autonomous provinces, which are the material basis of their overall social life and development. The essential thing here is the foundation on which they develop, what ties they establish, that is, what binds them together. Foremost in the answer to that question are the unified socioeconomic system and uniform

foundations of the political system, the unified market and common interests in relations with other economies, economic relations which are conceived on the basis of the workers' rights to work with the resources of society and to dispose of the gross social product and the results of his labor. Under our conditions, then, it is not a question of opposed "national economies" which in other socioeconomic and economic systems are based on different class foundations and which link together the world market, but on the agreed economic policy which is in the common interest, on the unified Yugoslav market and in the uniform system of foreign economic relations, on the basis of the single domestic currency, the results of labor and business of every economic entity are measured, and those entities are the workers and their organizations of associated labor. They are linked together, then, not only and not primarily by the market, but by the same class interests and by solidarity, which makes it possible to a significant extent for the community itself to be based on an equitable foundation, for it to have socialist foundations and for ever fuller economic equality to be gradually achieved as well. Solidarity, as one of the conditions of discharging the responsibility of the republics and autonomous provinces for the joint development of Yugoslavia mitigates differences in economic development and contributes to overcoming them gradually.

If these factors were dominant in socialist self-management, then it would not be possible to speak of the social character of capital and income and of everything that follows therefrom, parallel to the right of the nationality and the republic or autonomous province to national income. The dialectical expression of the class aspect and ethnic aspect in socialist self-management is, then, a complicated relation which does not satisfy a one-sided interpretation without serious consequences even for the very basic production relation, for the attitude toward the working class and its historic interests, and for the functioning of the unified market, as the common framework in which the contribution of every organization of associated labor and, on that basis, the economic and social development of every republic and autonomous province is economically evaluated.

The economies in the republics and autonomous provinces conceived in this way are not and cannot be rounded off and enclosed wholes which, as separate economies, are linked to one another primarily by means of governmental couplings. Nor are they relations of separate markets, which would reduce the role of the Yugoslav market only to some space for exchange of goods which exceed the needs of those national economies, but an organic linkage and development of all self-managing entities under equal conditions in the framework of the entire Yugoslav community and the unified Yugoslav market. The socialist republics and socialist autonomous provinces, as sociopolitical and self-managing communities, have under those conditions their own inalienable powers and responsibilities which in this case are no obstacle whatsoever to the organic development in integration of the economy of Yugoslavia and to its inclusion in the international division of labor. That is, they can become an obstacle only if the elements of the state-ownership relation toward associated labor become stronger in the republics, if the republics and autonomous provinces lose the characteristics of self-managing communities of the working people and citizens, and if they [original reads "it"] cease to be based on the power and self-management of the working class and all the working people.

In that sense differing levels of economic development, and not only economic development, will be subject matter for interethnic relations, agreements and compacts, above all in the economy, regardless of the level of development attained by each individual republic and autonomous province. Conclusion of mutual agreements, which will mitigate and tend to eliminate the inequalities which derive from differences in the level of development and from the differing structure of production will unquestionably be a lasting problem, and it has to be solved on the foundations expressed in the constitutional commitments.

However, assuming that the conditions are created for development on a more stable basis, the regulation of those relations will also require other methods, above all more equal forms of association and interweaving of interests, from joint planning and technical, technological and scientific development to the highest forms of division of labor and participation in joint revenues and income. Adjustments of those relations will be economic in nature insofar as the unified market facilitates the free exchange of goods, labor and social resources, and they will also act as incentives on an economic basis and through the conclusion of social compacts, and finally, through elements of solidarity.

This should contribute to exercise of the rights and performance of the obligations and responsibilities of the republics and autonomous provinces for their own development and for the development of the socialist community as a whole.

This should not be equated with the need for conducting a joint policy of regional location of productive forces, which occurs both as a problem within the republics and autonomous provinces and also as an interrepublic problem, that is, a problem of location of the productive forces throughout the entire Yugoslav economy. And this can be solved on the basis of joint plans of associated labor as well as on the basis of social compacts concerning the bases of plans for development of Yugoslavia. The actual formation of associations among organizations of associated labor and joint production should be the principal method for faster development of the economically underdeveloped republics and especially SAP [Socialist Autonomous Province] Kosovo, as a markedly economically underdeveloped province.

Insofar as the unified Yugoslav market functions without hindrance, and the greater its openness to the world market and insofar as its strengthens the worker's social position, his mastery of income, and his role in the making of social decisions in delegate assemblies, regional development will be treated as a common interest and expression of the need of associated labor as a whole. Then there will be no bias and dominance of noneconomic motives in making decisions related to regional development, no tendencies toward rounding out the economic structure of each individual republic and autonomous province and indeed even certain smaller areas.

4. Employment

In spite of the high growth rates of employment and exceptionally dynamic changes in the economic and social composition of the population, the opening up of the new jobs continues in this decade to be one of the most important problems of the country's socioeconomic and political development.

That is, in just the past decade 1.9 million new workers were hired. The annual growth rate of employment in the socialized sector was 4.2 percent, about 300,000 people returning from abroad were hired in the socialized and private sectors, and the share of the farm population in the socioeconomic composition of the population has dropped to about 25 percent.

On the other side there are still the following facts: the number of registered unemployed workers is about 800,000 (the first results of applying the social compact on selective registration of the unemployed among persons seeking employment shows that about 80 percent of the persons registered are actually unemployed). There are nearly 800,000 workers abroad (and 200,000 children and young people), and underemployment of persons employed in the socialist sector (concealed unemployment) amounts to about 30 percent of the total work force according to certain estimates.

The seriousness of the problems is especially manifested in the fact that half of these people seeking employment are skilled and specialized workers, and about three-fourths are under age 30, and a great majority have not yet been employed. More than half of the unemployed are women.

And finally, it is significant that this problem is manifested quite differently from one republic or autonomous province to another and also within them (full employment in SR [Socialist Republic] Slovenia, while in SAP Kosovo only 11 employed persons for every 100 inhabitants).

What has been said inevitably imposes the conclusion that the manpower potential of the Yugoslav population is underemployed and that in this area a much more effective policy and measures have to be worked out in every republic and autonomous province and in the country as a whole. Assuming a normal (anticipated) rate of development, the situation in this area will last about two decades. In many respects its social and political components will mark not only our economic problems, but also our socioeconomic problems up to the end of this century.

The long-range stabilization program, then, cannot be based on restrictions and an inadequate rate of economic growth. Optimum selection of the conception and strategy of development, and solutions and measures related to this system will have to pay attention to the problem of opening up new jobs and to these aspects of that problem.

In the past period of development it has been relatively easy to provide the capital for construction of new plants and to employ new workers, with little responsibility borne for their use, though there was not enough capital. By contrast with that, human labor was not sufficiently utilized and was disproportionately expensive, not in terms of its net weight (the net personal income

received by the workers) but in terms of its gross weight (including social services and government expenditures and the respective contributions and taxes). That is why labor-intensive activities have been neglected. If we bear in mind that the obstacles to development of small business and for self-employment have not yet been removed and that not enough consideration has been given in the location of industry to bringing it closer to potential workers, just as one takes into account the insufficient mobility of capital in our context (without going into the complicated and numerous causes of that), then the conclusion can be drawn that our development policy in the past has not been sufficiently mindful of the true condemnation and utilization of either of these two factors of production (the factor of labor and the factor of social capital). Economic policy and measures have not been sufficiently mindful of demographic, regional and other aspects of the population, of the underdeveloped occupational and regional mobility of the workers, and so on; one of the causes of this is the inadequate operation of economic laws and the market throughout the entire space of Yugoslavia and the inadequate motivation of organizations of associated labor to invest capital outside their own sociopolitical communities (opstinas, provinces and republics).

The solution to this problem cannot be to refrain from using top-level technology in production, but must consist of expanding activities in those branches and activities which have been neglected, in the comprehensive development of agriculture, in opening up opportunities for self-employment, in developing numerous small plants of ancillary industry and service activities on the basis of division of labor throughout the entire Yugoslav economic region, along with considerably stricter requirements with respect to the economic employment of capital and accumulation so that they are economically selected, used and concentrated where they are indispensable from the standpoint of raising labor productivity and where jobs can be created and total income expanded at lower investments and using relatively "cheaper" labor than is now the case (it is a question of relieving personal incomes of excessively high obligations and of passing certain obligations on to income, of an essential reduction of administrative costs and of various middleman and other exaggerated social costs).

If these factors are not properly assessed in the stabilization program, there is a hidden danger that the trends in the past concerning unemployment, especially of young and skilled workers, will impose solutions which will complicate still more our present economic problems, which arise out of low labor productivity of the workers employed and out of the fact that our economy is not competitive with foreign countries.

Present legislation on employment relations and even more employment practice have led, as is often mentioned, to the absolute certainty of employees about their jobs, over which they hold a "monopoly," regardless of the results of work and business. Our organizations of associated labor are not able to adapt to market conditions and to reduce or increase the labor force under certain conditions, if at the same time the workers enjoy full protection of their material and other rights (having their incomes covered from certain social funds created by the economy itself). That is why it is impossible for them to adapt to conditions on the market, to changes in technology and

engineering, and so on. In a new and higher organic composition of capital there is still the same number of employed persons or it even increases, when the growth rate is low or there is quite an essential change in the structure of production, the previous workers remain, and the need for new workers is solved by additional hiring.

Nor is there even an opportunity to replace workers who are not adequate in their skills and the results of their work with new workers who in spite of the appropriate qualifications and work skills remain unemployed during the most productive part of their working life. That is why the worker's interest in preserving his job by timely retraining to meet his own need is manifested to a very limited extent.

These and other problems of creating new jobs must be taken up in the conception of long-range development and solutions must be sought which will respect the position and inalienable rights of the workers in our system, but which will bring them into line with the corresponding acceptable measures which will be suited to the social character of capital and income. It is the workers in organizations of associated labor and in all their forms of association and organization who must be the makers of policy governing creation of new jobs, along with creation of certain conditions by the appropriate sociopolitical communities and with their mutual cooperation.

5. Social Problems

Major changes in the present economic and social relations in general, changes in the position of branches, groupings and almost every organization of associated labor, and greater market orientation will give rise to many problems of adaptation, changes in the structure of production, in the organization of work, in the level of income and accumulation, in the losses of organizations of associated labor (not to mention the need to introduce economic rents, prices of certain products and services important to the worker's standard of living, and so on). This will necessitate a more careful assessment of present relations within the working class, of various categories of families and of those segments of the population in which considerable social inequities are manifested even now, especially those who have their origin in income earned without or with very little work, from trade in property, speculations of various kinds, and so on.

Unless measures are precisely worked out that take into account the working class nature of our community, unless respect is paid to the elements of equality, especially in those needs which arise from the socialist character of our community (the social minimum in education, health care and social welfare), and that in the form of both transitional and lasting measures in assemblies, republics and autonomous provinces, according to their objective capabilities and without the adequate involvement of local communities, it is not possible to carry out even the best conceived economic programs and measures. Just as business conditions cannot be altered in the economy without making it possible for the transition to be made to new, more difficult and more complicated and requirements and conditions, so every worker and every family must have the opportunity to assess and examine its position, what it

is getting and what it is losing, what are the direct consequences of the orientation toward better work and economic performance in terms of the personal and family standard of living and position in society. Calling for sacrifices, for doing without, for changing work habits and other habits in order to overcome the very difficult problems in our development to date, unless every individual sees his own interest in a better life tomorrow for his family and in the general progress of self-management and society, is condemned to failure in advance.

The economic and social sections of the stabilization program will have to be complementary, balanced, staged and so measured in quantitative terms that they can be withstood, so that from the first step of fulfillment results are evident which make it possible to mitigate or abolish those measures which have the character of limitation, restriction and deprivation of an economic and social nature.

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